

## 01 OVERVIEW

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**529 Plan:** An education savings plan sponsored by a US state or state agency.

**RESP:** A Registered Education Savings Plan to help a Canadian subscriber save for post-secondary education.

## 02 TAX DEDUCTIBLE CONTRIBUTIONS

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**529 Plan:** Not Federally, but some states offer full or partial tax deductions for contributions to a 529 plan.

**RESP:** Subscribers cannot deduct their contributions from their income on their income tax and benefit return.

## 03 TAX DEFERRED GROWTH

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**529 Plan:** Earnings are tax deferred at the Federal level and most states do not tax the investment earnings.

**RESP:** Your money grows tax-free while it is in your RESP.

## 04 CONTRIBUTION LIMITS & GRANTS

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**529 Plan:** Up to \$75,000 (\$150,000 per married couple) per beneficiary in a single year without the money being subject to the federal gift tax. Contributions cannot exceed the amount necessary to provide for the qualified education expenses of the beneficiary. The 529 plan doesn't include grant-matching programs.

**RESP:** No annual contribution limit but the lifetime contribution limit is \$50,000 per beneficiary. The annual maximum for the Canada Education Savings Grant (CESG) is \$1,000 or 20% of contributions up to \$5,000. The lifetime maximum for the CESG is \$7,200. Additional grants are available for modest-income families and some provincial incentives are also accessible.

## 05 INVESTMENT OPPORTUNITIES

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**529 Plan:** Investments are strictly limited to pooled portfolios offered by the plan.

**RESP:** Qualified Investments include stocks, bonds, mortgages, mutual funds, segregated funds, ETFs, REITs, warrants, options, gold, silver, etc.

## 06 TAXATION OF DISTRIBUTIONS

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**529 Plan:** Distributions for qualified education expenses are federal income tax free. However, qualified distributions are not tax-exempt in some states.

**RESP:** Earnings and grants are taxable to the beneficiary. Since many students have little or no other income, they can usually withdraw the money tax-free. The money that was deposited to the RESP is non-taxable.

## 07 QUALIFIED EDUCATION EXPENSES

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**529 Plan:** Eligible schools include any postsecondary educational institution eligible to participate in the federal student aid program administered by the U.S. Department of Education. As of 2018, up to \$10,000 in annual expenses for tuition at an elementary or secondary public, private, or religious school.

**RESP:** When a beneficiary is enrolled full-time or part-time in a qualifying post-secondary educational program, money from the RESP can be withdrawn for any purpose that serves to further the student's studies.