Planning for your child's education journey

Investing in your child's future

From the moment your child is born, their learning journey begins. They have a lifetime of potential before them, and there will be many ways you'll support their goals and milestones—as a parent, teacher, coach and mentor. Even as a grandparent or loved one, you want to see the children in your life achieve their dreams, no matter what those dreams are.

Whether your child's path includes university, college or vocational training, financial planning is crucial to set them on the right course. The sooner you start, the further ahead you'll be when it comes to building a strong foundation for them to succeed.

This guide introduces you to people at different life stages and their planning choices to provide insights that can help you meet your child's learning goals. Let's explore the many strategies and options available to position your child for success.

New beginnings

Embarking on the education planning journey as a new parent

Scott and Fran are newly married with a daughter on the way. Recently paid off student loans are finally allowing them to focus on other goals. They dream about buying a house and Fran is considering taking an extended 18-month maternity leave. They're already thinking ahead to their daughter's education. They're aware that many students graduate with almost $30,000 in debt[1] and would like to help their daughter graduate debt-free.

This section gives you strategies to help answer important questions:

- How much will my child's education cost?
- What can I afford?
- How do I balance education savings with my other goals?

How much will my child's education cost?

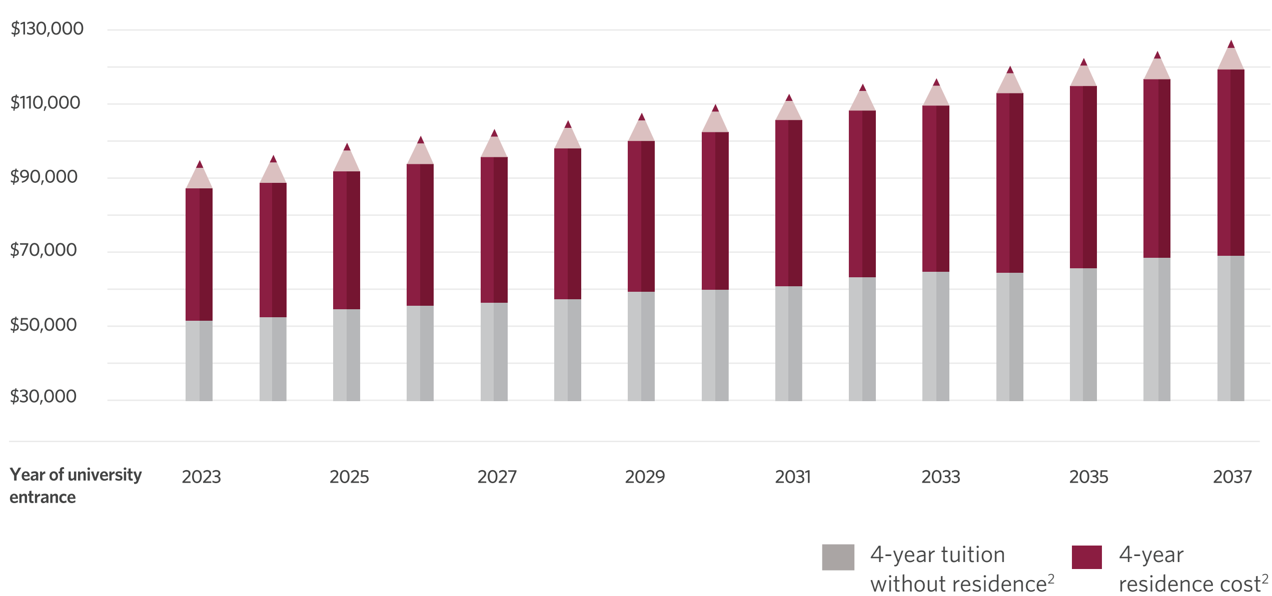
Many parents wonder what they need to save for their children's post-secondary education. Knowing the answer is the first step in developing a savings strategy. We know that between rising tuition, living expenses and other related costs, it will certainly be higher in the future than it is today. Your CIBC advisor can help you determine the cost of your education savings goal and decide how much of your budget to set aside.

Expert advice tip: Questions to ask yourself

- How long before my child graduates from high school?
- Do I want to fund their full schooling costs or do I expect them or others to contribute?
- What type of program will they be enrolled in?
- Will they study abroad?
- Besides tuition, what other costs will my child incur while in school?
- Will they live with me or in residence?
- Will I be supporting more than one child through their post-secondary education?
- Do I qualify for provincial assistance or student loans?

The high cost of higher education[2]

A four-year undergraduate degree with residence at a Canadian university is estimated to cost over $100,000 in 2026 and beyond.



What can I afford?

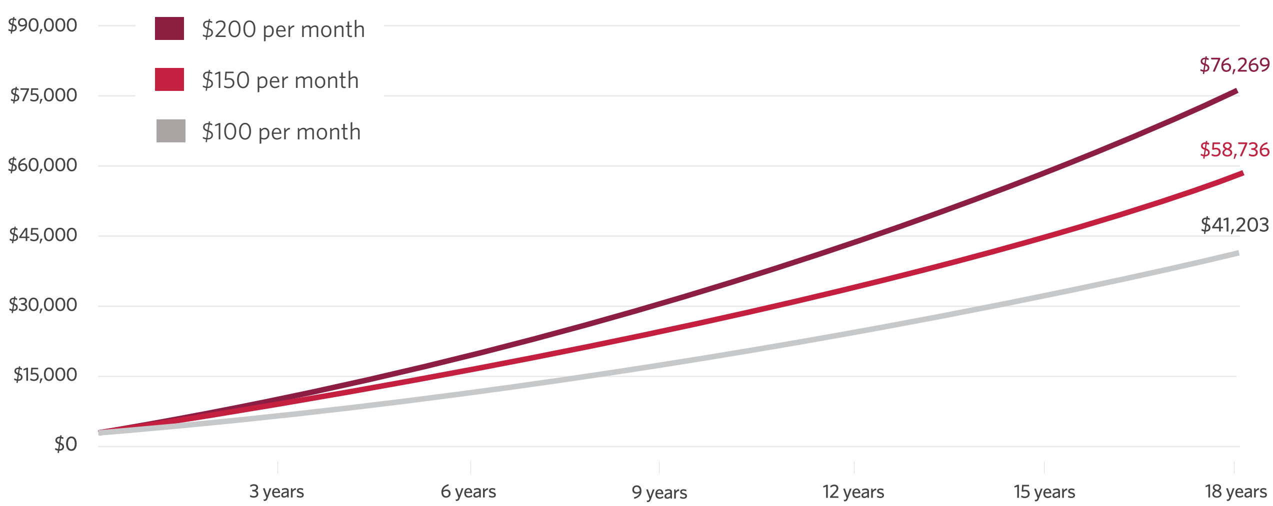
Determining how much you can afford to put towards your child's education involves looking at your full financial picture. Between daycare, a mortgage and new baby gear potentially putting a strain on the household budget, the early years can be expensive for families. A basic cash-flow analysis[3] can help you identify savings opportunities.

Expert advice tip: How to budget to your benefit

- Compare your inflows to your outflows to understand if you're in a surplus or deficit. If you're spending more than you're bringing in, review your outflows to understand where you can adjust. If you have existing savings, can you redeploy the money to education?
- For a proven and straightforward approach to meeting your financial goals, pay yourself first through a regular savings plan. Set up automated transfers between your bank and investment account to coincide with payroll deposits, making saving just another bill.

Monthly investments can add up[4]

With an initial $2,500 investment, saving in regular monthly increments can grow to thousands over time.



Did you know? The power of compounding

Compounding is money multiplying itself, which allows investors to earn more income on the income they generate from interest, dividends or capital gains. The reason it's so powerful is because it causes your investment to grow at an ever-increasing rate, rather than a straight-line rate. With time, your investment's value takes off.

How do I balance education savings with my other goals?

Managing competing financial priorities is a challenge for many Canadian families. Not only do you have your ongoing expenses, but life happens and emergencies come up. To help balance education savings with your other priorities, it's useful to first define what you want for your family and then develop a concrete plan for reaching those goals. This can make it easier to meet your must-haves and address big priorities like retirement while still being able to save for that special family vacation.

Expert advice tip: Plot and prioritize your goals

Use this simple template to help you map out your financial picture and prioritize important goals. Remember, checking in regularly and revisiting your goals with your CIBC advisor will also help you stay on track.

Financial goals log

Goal *What are your financial goals?*	**Target date** *When do you want to reach the goal?*	**Priority** *How important is the goal?*	**Total needed** *What will it cost to meet the goal?*	**Current savings** *How much have you already saved?*
Example: Buy a new car	1 year	Low	$8,000	$900
Example: Emergency roof repair	Next month	High	$10,000	$0
Example: Fund my child's education	17 years	High	$97,000	$6,000
Example: Retire	35 years	High	$700,000	$30,000
Your turn to set your financial goals				

Additional questions for new parents:

- Education aside, what does it cost to raise a child?
- How do I protect my family's finances from the unexpected?
- How can I learn more about paying down debt?

Mapping the right course

Saving through the middle years, from toddler to teen

Olivia has two school-age children and her own public relations firm. Because she's successful in her field and spends conservatively, she has a significant ability to save each year. She wants to support her children's educational goals, but also recognizes the importance of putting away money for her retirement. She's looking for the best way to balance all of her goals and priorities.

This section gives you strategies to help answer important questions:

- What education savings options are available?
- How do I grow my child's education savings?
- Should my investment approach change based on my child's age?

What education savings options are available?

Your range of education savings options includes Registered Education Savings Plans (RESPs), Tax-Free Savings Accounts (TFSAs) and non-registered savings. Each plan type has advantages and limitations, and you may decide on more than one approach to complement your family's goals and financial situation.

RESPs are most often chosen because they're eligible for incentives from the Canadian government, including the Canada Education Savings Grant (CESG). Some provinces, like British Columbia and Quebec, offer additional grants or incentives. The lifetime RESP contribution limit is $50,000 per beneficiary.

RESP key benefits

Tax savings. Your investment is tax-sheltered while in the RESP. When the income earned from the RESP and grants is withdrawn for post-secondary education, it's taxed in the child's hands, who may pay little or no tax on that income.

Government contributions. The federal and some provincial governments may provide grants and incentives (e.g. CESG) to help your RESP savings grow faster. Don't pass up this opportunity for additional money!

Education flexibility. RESP savings can be used towards a variety of post-secondary educational paths (e.g. university, college, trade school and apprenticeship) and costs (e.g. tuition, books and living expenses).

Investment choice. There are a variety of investment solutions for your CIBC RESP, including CIBC Smart Investment Solutions, CIBC Mutual Funds, CIBC GICs and more.[5]

RESP grants and incentives

Annual basic CESG

20% of annual RESP contributions

(up to $500)

Lifetime CESG limit

$7,200 per beneficiary

Lifetime Canada Learning Bond limit

$2,000 per beneficiary

(The Canada Learning Bond is generally available when your child is 15 years old or younger and you qualify for the Canada Child Benefit[6].)

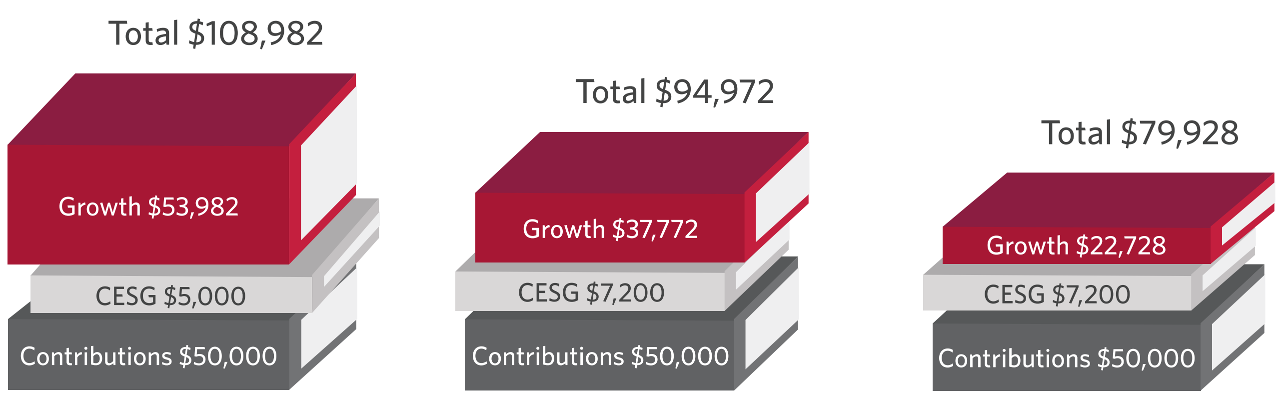
If you're currently maximizing your RESP contributions or want other options, non-registered accounts and TFSAs offer flexible approaches to supplementing your RESP, with some caveats to be aware of.

Plan type	Benefits	Limitations
Non-registered account	Maximum control and flexibility, with no limits on contributions or how the funds are used.	Any investment income earned is taxed in the year that it's realized. Government grants are not available.
TFSA	Earnings and withdrawals are normally tax-free.	Government grants are not available.

The route you take often depends on your child's age and timeline, and your financial means. By working with your CIBC advisor, you have an expert to guide you to the best choice, or choices, for your family's needs.

Early contributions key to RESP growth[7]

The sooner you can start contributing to an RESP, the more time you'll have to save and benefit from compound growth. An early start also provides more opportunity to take advantage of government grants.



Annual contributions: $5,000	Annual contributions: $2,777.77	Annual contributions: $5,000
Timeframe: Age 0 to 10	Timeframe: 18 years	Timeframe: Age 8 to 17

How do I grow my child's education savings?

As your child grows, so should their education savings plan. With a CIBC RESP, your plan enjoys growth potential through a variety of investment solutions, such as CIBC Smart Investment Solutions, CIBC Mutual Funds, CIBC GICs, cash, bonds and stocks. Your CIBC advisor can provide guidance on the mix of investments that make sense for you. Together, you can decide how to invest based on your time horizon, risk tolerance, how much you want to save and other factors related to your personal situation. Ongoing monitoring by your advisor can help keep your portfolio on track to reach your goals.

Should my investment approach change based on my child's age?

One of the hardest things about RESPs is choosing the right mix of investments and managing the allocation between stocks and bonds. There are many RESP investment options and it becomes especially challenging for families saving for more than one child. For example, the investment mix for a 15-year-old child should look very different than the one for a 7-year-old child. You'd need to ensure your older child has money secured for post-secondary school that would be just three years away. Your younger child would have a longer time horizon, so you could take on more risk to potentially grow their education savings over the following decade. Your CIBC advisor can help you determine your RESP investment strategy, regularly monitor your portfolio and rebalance your RESP if necessary to help position you for success.

Expert advice tip:
Revisiting your RESP investment strategy over time

RESPs generally go through three investment time horizons over a relatively short period (approximately 18 years). This is unlike your retirement savings time horizon, which remains a long-term investment, sometimes for decades. RESPs start out as a long-term investment, but quickly shift into medium-term and then short-term.

Age 0-8: Long term

You have lots of time to make back potential losses. Consider choosing a higher return mix of investments (which also means higher risk) in line with your personal risk profile.

Age 8-13: Medium term

You have some time to make back losses, but it depends on how much you need to make back. Consider choosing a balanced mix of investments in line with your personal risk profile.

Age 13-18: Short term

You have no time to make back losses. Consider choosing safe investments regardless of your personal risk profile.

Additional questions for parents:

- How do I teach my children the value of money?
- How can I catch up on my savings goals if I'm behind?
- How do I balance saving for their future education with the cost of extracurricular activities?

The future in focus

Into young adulthood: Managing education funds and establishing lifelong learning

This is an exciting yet emotional time for Joe and Rita. They're thrilled that their son has been accepted into his first choice for university. He's put in a lot of hard work to reach this milestone, as have Joe and Rita. They're also proud that they'll be able to support their son through school and that he's found seasonal work that will help him pay for any incidentals. Outside of summer camp and the occasional sleepover, this will be his first time living away from home.

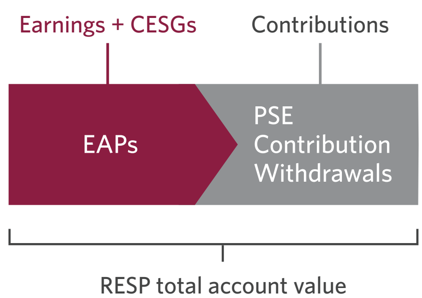
This section gives you strategies to help answer important questions:

- Accessing funds from my education savings plan—how much do I withdraw and when?
- What if my child doesn't attend post-secondary school?
- How can I fund education and learning in adulthood?

Accessing funds from my education savings plan—how much do I withdraw and when?

Like saving, the process for withdrawing your money also takes planning as it can be complex. If it's time to start using your education funds for your child, some things to consider include the number of years your child plans to study, the cost of the program, cost of living, and the amount and type of savings you've built up. For RESPs, only the individual(s) who set up the account (the subscriber(s)) can make withdrawals, rather than the student (the beneficiary). Your CIBC advisor can help you determine the best strategy to access your education savings.

Expert advice tip: The suggested way to withdraw from your RESP when your child is in qualifying post-secondary education



Educational Assistance Payments (EAPs) are comprised of the earnings and CESGs in the RESP. You may wish to have EAPs made throughout the years in which the student has low income, to minimize taxes on the payments. The amount of EAPs you can withdraw in the first 13 weeks of post-secondary education is limited.

Post-Secondary Education (PSE) Contribution Withdrawals, comprised of your contributions, can be taken at any time and may be paid to the student or subscriber. If the student is not enrolled in post-secondary school at the time of withdrawal, some or all CESGs and CLBs may need to be repaid.

Did you know? Not just for tuition

RESPs can be used for a wide variety of educational costs. As long as your child is enrolled in a qualifying post-secondary program, you can choose what you want to do with the funds to help further their post-secondary education, including paying for rent or food.

What if my child doesn't attend post-secondary school?

An RESP can remain open until the end of the 35th year following the year that it's opened, giving your child flexibility on the timing of their educational endeavours (it may be possible to remain open until the end of the 40th year for individual plans when a beneficiary has a disability in the 31st year). Consider keeping money in the RESP in case your child changes their mind. Note that if your child isn't enrolled in post-secondary school at the time you withdraw from your RESP, some or all CESGs and CLBs may need to be repaid. Even if they don't attend school, you still have plenty of options. It is important to note, however, that there can be significant financial penalties, including taxation and an extra 20% penalty tax on RESP income. Your CIBC advisor can recommend specific strategies tailored to your needs.

Expert advice tip: Raising a financially literate child

Use the goal of saving for their education as an opportunity to share your values with your child. This opens the door to discussions around learning, productivity, sensible spending, budgeting and saving for other goals.

- Get them set up with chequing and savings accounts to help them track their spending and saving, and review their statements with them so they know what the numbers mean and how much cash they have in the bank.
- Help them create and stick to a budget.
- Lead by example and become more transparent about your own finances—explain what you're doing and teach good money skills by exhibiting them yourself.
- Talk to them about the responsible use of credit while encouraging them to live within their means.
- Consider showing them the growth of their education fund over time and involve them in the savings process.
- Most teenagers want to be independent and contribute to their lifestyle needs. Part-time work can be rewarding and can help your child learn to save.

Access[8] resources to help children build financial confidence.

How can I fund education and learning in adulthood?

It's common to pursue post-graduate studies or additional training and professional development once your child is in the workforce. Like you, your child must manage competing demands on their time and money, but their continuing education doesn't need to take a back seat. Anyone with a Registered Retirement Savings Plan (RRSP) can benefit from the Canadian government's Lifelong Learning Plan (LLP).

Lifelong Learning Plan

Finance full-time education or training for you or your spouse or partner.

Speak to your CIBC advisor or visit the Government of Canada website[9] for more information.

Canada Training Credit

The federal budget proposes a new refundable tax credit that may be used for eligible tuition and course fees starting in 2020. Details are available at the Department of Finance Canada's Budget 2019 website.[10]

Additional questions for parents of young adults:

- How do I gauge my child's readiness to take on more financial responsibility?
- What do I want my life as an "empty nester" to look like?
- Should I top up education savings for my grandchildren or other loved ones?

Take the right steps toward a brighter tomorrow for your family

Saving for a child's education sets them up for a better future. Learn more about maximizing your children's success with an education savings plan that can grow along with them.

Be aware. Don't underestimate the rising costs of education.

Start early. The longer you save, the more you can benefit from the power of compound growth.

Top it up. Increase your savings when other childcare costs go down.

Pre-set it. An automatic savings plan makes your contributions easier and your money has the potential to start growing immediately.

Check in. Regularly reviewing your plan with your CIBC advisor can help you stay on track.

Keep telling your child that anything's possible. We're here to work with you to create a financial plan to help make those dreams a reality.

Contact us today so you can start investing for their future.

[1] Source: 2018 Graduating Student Survey, Master Report 2018.

[2] Source: Statistics Canada. Tuition, Living and Accommodation Costs, 2017/2018. Tuition cost includes compulsory fees as well as estimates for textbooks and incidentals. Residence cost includes tuition, compulsory fees, meals and lodging, as well as estimates for textbooks and incidentals.

[3] Source: https://www.cibc.com/ca/advice-centre/savings-plan/budget-calculator.html.

[4] This hypothetical example (assuming an initial $2,500 investment and an average annual return of 5%) shows the benefits of making monthly investments over time. This chart does not represent any actual investment and the projections are before taxes. The value and return may vary and different investments may perform better or worse than this example.

[5] Source: https://www.cibc.com/en/personal-banking/investments/education.html.

[6] Eligibility for the CLB is based on the number of children in the family and the adjusted income of the primary caregiver.
Source: https://www.canada.ca/en/employment-social-development/services/learning-bond/eligibility.html.

[7] Total equals contributions, CESG and growth. Growth is before any withdrawals, income taxes or account administration fees. Based on a 5% rate of return net of investment management fees and expenses, and assumes all RESP contributions were made on January 1st each year. Actual returns will vary. Source: CIBC, October 2019.

[8] Source: https://www.cibc.com/en/personal-banking/advice-centre/financial-education.html.

[9] Source: https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/lifelong-learning-plan.html.

[10] Source: https://www.budget.gc.ca/2019/docs/plan/toc-tdm-en.html.

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