

Saving For Your Child's Future Shouldn't Keep You Up At Night

Many college and university students find they have to juggle work and studies these days. Even with all this effort to make ends meet, the average university student today can expect to graduate with \$25,000 in debt, according to the Canadian Federation of Students.

Student Debt can have a long term impact

To understand the impact of student debt on Canadians, Statistics Canada has been tracking the undergraduate class of 2000. Of the almost 3 out of 5 who still owed money five years later, 41% reported difficulties repaying student debt, this despite a 94% employment rate among students graduating with debt in general. In addition to joining the workforce, many of these graduates have committed to long term relationships (56% are married, including living common law) and almost 2 out of every 5 have dependents. These young families face the burden of trying to repay their own student debt when they should, ideally, be starting to save for their own children's post-secondary education.

As the cost of post-secondary education continues to rise, you may be wondering how your child will be able to afford the education they will need to make the most of their talents in the working world. It may seem like university is a long way off but, with the cost of post-secondary education estimated to be as high as \$129,000 by 2027, it doesn't pay to wait to start to saving.

There is a solution

To make it easier to save for your child's education, the government allows you to saving in a tax-sheltered plan called a Registered Education Savings Plan or RESP. Similar to an RRSP, the investment growth on your savings is not taxed until it is withdrawn. This means that, in addition to the interest earned on your principal, your savings also benefit from compound interest, which is interest paid this year on interest earned last year.

Contributions to an RESP aren't tax deductible but the government helps to make up for this by offering the Canada Education Saving Grant (CESG). Through this grant, the Federal government helps you save for your child's education by topping up your contributions by an additional 20%, up to \$500. So, if you contribute \$2,500, another \$500 is added to your RESP. If you contribute less than \$2,500, you still get CESG (equal to 20% of your contribution), and you can carry forward your unused CESG amount, so you don't have to lose out. Over the lifetime of your RESP, this can add up to a maximum of \$7,200 in grant money alone! Plus, the CESG also earns interest to help pay for your child's post-secondary education.

You can rest assured

If you have made the decision to start saving for you child's education in a Registered Education Savings Plan but the recent volatility in financial markets is holding you back, here's something to consider. When it comes to saving for a child's education, risk should not be an option. Even though an RESP shares some of the features of a retirement savings plan, it is not a mini-RRSP. An RESP is a savings plan for the mid-term and when you need the money, it will be used up over a relatively short period of time (usually four years). That's why it's so important to seek the safety and security of government bonds and guaranteed securities and avoid stock market risk.

Heritage Education Funds has been in the business of helping parents and grandparents save for children's future education for over 40 years. RESP investing isn't a secondary business for us, it's our sole focus. This focus has allowed us to truly become RESP experts.

The money you put into a Heritage RESP and your government grant money is invested in a variety of low-risk investments that earn a competitive and consistent return. Over the years we have become experts in how to get strong investment yields in your RESP, without exposing your precious savings to stock market risk. The value of our customer accounts has always increased year over year, regardless of the stock market's ups and downs.

If you need further information, please visit http://www.heritageresp.com/resp_apegga.html.