

Funding Options for Your Child's Education



As parents, the responsibility of providing your child with the necessities of life can be taxing on its own and adding in the extra-curricular activities like after school programs, arts, sports etc. can really eat into the household budget. It can be tempting for parents to consider borrowing to help with the cost of post-secondary education. As parents you owe yourself a duty of care to ensure that you place yourself in a financially sound position for your own future; incurring additional debt may not be the best path forward.

Level of household income plays a factor in your ability to save for your children's education. For many parents, it's important to convey the expectation that your children will at least, in part, help fund their own education with part time jobs. Depending on each family's particular financial situation, have early discussions and communicate the importance of participating. Set the expectation that a percentage, perhaps 10% to 50% of funds are saved by the kids.

Here are some options for parents who wish to help with the cost of education.

- 1. *Begin Early*** – The effects of compound earnings across time aren't easily matched, so begin as soon as you are able! There are different savings and investment plans you can subscribe to for your child's future.
- 2. *Open a Registered Education Savings Plan (RESP)*** – The Registered Education Savings Plan is an investment savings plan that grows in a tax-sheltered plan and the government also adds a 20% grant on your contributions within prescribed limits. It's a great way to avoid paying tax on the earnings while the funds grow within the plan.
- 3. *Create an Informal Trust*** – You can set up an education trust for your child. This will ensure that the money is used for your child and any earnings are generally taxed in their hands.
- 4. *Open a Tax Free Savings Account (TFSA)*** – A TFSA provides for tax free earnings, and there are no tax consequences when funds are withdrawn. You have a wide range of investment options and it's up to you what you'd like to use the savings for whether that is for your retirement, or possibly to help with future education costs.
- 5. *Student Debt*** – There are programs offered by banks that benefit a student borrower such as preferred interest rates and repayment terms. There are also provincial student loan programs available for some students.
- 6. *Grants and Scholarships*** – As the time draws near for post-secondary education, there are many grants, bursaries and scholarship programs that could be available to your child. Have your child apply for them!
- 7. *Corporate Dividends*** – Incorporated family businesses may be able to pay dividends to children in certain circumstances.
 - *This only applies to your child if they are 25 or older or if they are actively involved in the business.*

Bottom Line

There are always more options than you may realize in many financial decisions. Contact Gareth Whiteside at Ford Keast Wealth Management at **519-679-9829** or email gwhiteside@fkwm.ca if you have any further questions regarding this or any other topic.