

Canadians worry about education costs but about half still have no RESP for kids

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Only 56% of Canadians with young children have set up a Registered Education Savings Plan despite their ongoing concern about education costs, according to a Bank of Montreal study.

The same survey found 69% of Canadians are worried about the affordability of post-secondary education.

The bank says the current cost of a four-year degree is \$60,000 but says for children born in 2011 that cost will rise to \$140,000 by the time they are ready for university.

The federal government's RESP is considered generous in that it pays a 20% government grant per child for every dollar contributed to a plan up to a maximum of \$500 per year and \$7,200 lifetime.

The problem is Canadians say they can't come up with the cash for RESPs to take advantage of the grant. The survey found 48% of Canadians say they don't have enough cash for the grant while 40% of respondents say they contributed the same amount as last year.

Bank of Montreal says one way to make a contribution is to use money from cash gifts from relatives and family friends. Only about 10% of parents whose children received money as a gift used it for an RESP, the survey found. Another 27% of parents have put money in a child's savings or given a child money for a portion of a gift they wish to buy.

"The great thing about RESPs is that a little really does go a long way," says Mark Stewart, director of product development and management with BMO Investments Inc. "When you take into account the added benefit of the Canada Education Savings Grant, along with compounded interest over time, even small amounts have an opportunity to grow into significant savings."