



## Canadian Parents: The RESP Is a Sure-Fire 20% Gain of \$7,200 for Your Child

### Description

Do you have kids? If so, do you have dreams about your child attending a university or college and building a stable career in the future? Then you might be worried about the costs of post-secondary education.

The cost of Canadian schools isn't too outrageous yet, but if your child gets accepted into a prestigious American college, your total bill could be six figures per year by the time your child turns 18.

Luckily, the Canadian government has provided some help in the form of the Retirement Education Savings Plan (RESP)

### Get the 20% CESG grant

It's not often that you can earn 20% returns on your investment with no risk, which is what [the RESP](#) provides for your child.

Here's how you can get it: open an RESP, then contribute \$2,500 per year to the account. Each year, you will receive \$500 in Canadian Education Savings Grants (CESG). After 15 years, you will have received \$7,200 in "free" grant money for your child. There are even proposals where the government has suggested increasing the number of grants, but that hasn't been finalized yet.

Similar to an [RRSP](#), your RESP will grow tax-free within the account then be taxed when your child starts withdrawing it. But the great thing about the RESP is that even though you are contributing to the account, the income will be taxable under your child's name.

Your child will be attending school, so their income will likely be pretty low, meaning they should be taxed very little or nothing.

### What can you buy in an RESP?

There are a lot of options for what to buy for an RESP. It depends on your risk tolerance, but I would recommend buying stocks. The time horizon for an RESP is long, as you have 18 years before your child will attend school.

The longer time will allow you to take on more risk. An added benefit is all the dividend returns will be tax-free within the RESP.

Consider investing in a robust stock such as **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), also known as Bell. Bell is one of the largest telecom companies in Canada, with a gigantic market cap of \$42.63 billion.

There are three primary business segments at the company: Bell Media, Bell Wireless, and Bell Wireline. All three lines contribute to BCE's bottom line and provide diversification in its product line. Not only is Bell a telecom provider, but the company is also a media creator and even co-owner of many pro sports teams in Canada.

The best part are the juicy 5.24% dividends that Bell provides its investors. \$10,000 invested in an RESP will give you \$524 in dividends per year.

Here is an example of what your RESP could be worth one day. Suppose you invest \$2,500 per year and receive the maximum grants of \$7,200. If your investments have a total return of 7% per year, by the time your child turns 18, the RESP will be worth over \$91,000.

## Conclusion

The RESP is a fantastic tool for saving for your child's education, so don't delay and start contributing early in great companies like Bell.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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