

MINISTRY OF CHILDREN AND YOUTH SERVICES

POLICY DIRECTIVE: CW 001-08 Registered Education Savings Plans (RESPs)

On July 20, 2006, the federal government began providing the Universal Child Care Benefit (UCCB) directly to Children's Aid Societies (CASs) for children in care under the age of six. The UCCB is a monthly benefit of \$100 paid to the families of all children of this age with the intent to support their child care choices. This policy directive under s 20.1 of the *Child and Family Services Act* requires CASs to manage funds equivalent to amounts received through the UCCB in the following manner:

1. Effective immediately, establish RESPs for Crown wards for whom the CAS has received UCCB funds since July 2006.
2. Beginning no later than 12 months from the effective date of the directive, establish RESPs for society wards who have been society wards for at least six consecutive months and for whom the CAS receives UCCB funds.
3. Beginning no later than 12 months from the effective date of the directive, establish RESPs for children in formal customary care¹ who have been in formal customary care for at least six consecutive months and for whom the CAS receives UCCB funds.
4. For eligible children, CASs will initiate the process to secure birth registration and Social Insurance Numbers (SIN) within one month of the child becoming eligible for an RESP. In formal customary care arrangements where a child is eligible for an RESP, a CAS should work with the parents to obtain a SIN. If the CAS is able to obtain a SIN, the same procedures will apply (see section 2 below).
5. After the eligibility criteria have been met and an RESP has been opened, the CAS will contribute an amount equal to the UCCB funds received for the child into that child's RESP. CASs are encouraged to work with the RESP plan provider when establishing agency procedures.
6. One-time implementation provision: In February 2007, the ministry sent a memo to CASs to provide direction on the use of UCCB funds collected on behalf of children who are no longer in care or receiving service from the CAS. CASs were directed to make reasonable efforts to establish contact with the child's parent(s) or legal guardian(s), and if successful, encourage

¹ Formal customary care is where a CAS has determined that an Indian or Native child is in need of protection and requires the removal from parents/caregivers and there is a placement with a person who is not the child's parent according to the custom of the child's band or Native community. There is a customary care declaration by the band of either parent of the child and the CAS is supervising the home. As well, a customary care agreement is in place, the customary care home has been approved under foster licensing standards, and the CAS is subsidizing the placement.

them to open an RESP for their child using the UCCB funds accrued by the CAS on behalf of their child. If a CAS was unable to contact the family, the funds were to be held in a General Ledger Suspense Account pending further direction. CASs are now required to use these funds (those collected from July 2006 until the effective date of the directive) to establish RESPs for Crown wards for whom the CAS does not receive the UCCB beginning with those who are six and continuing chronologically as long as the funds hold.² In order to maximize the federal contributions to the plan, CASs should open each RESP with a minimum of \$500 (see section 1 below for an explanation of federal contributions).

7. From the effective date of this directive, any UCCB funds collected by the CAS on behalf of a child who is not eligible for an RESP must be distributed equally across all other active RESPs³ for which they are the subscriber.
8. A CAS must maintain proper documentation for audit purposes for all UCCB revenue and RESP contributions.
9. A CAS must hold the RESP until the beneficiary either:
 - a. Enrols and registers in a qualifying postsecondary education or vocational training program; or
 - b. Reaches 25 years of age (see section 4 for redemption details).
10. CASs must develop agency policies for providing RESP funds to the beneficiary in both circumstances described in item #9 above.
11. Where a beneficiary does not pursue a qualifying program of postsecondary education or vocational training by age 25, the CAS will close the RESP and provide the principal contributed and interest accumulated on the principal to the beneficiary (see section 4 for details on qualifying programs).
12. Where a CAS has been unsuccessful in all reasonable efforts to contact a beneficiary who has not claimed their RESP funds, the CAS must distribute the eligible funds from that RESP equally across all active RESPs for which the CAS is the subscriber (see section 4 below).

² The direction to open RESPs for Crown wards for whom the CAS does not receive UCCB funds is a one-time provision and is applicable only to the funds collected from July 2006 until the effective date of the directive.

³ Active RESPs are those for which the beneficiary qualifies for the federal Canada Education Savings Grant (CESG) and Canada Learning Bond (CLB).

EFFECTIVE DATE:

This policy directive is effective April 15, 2008.

INTRODUCTION:

This ministry policy will result in the use of funds equivalent to amounts received as UCCB to establish RESPs and thereby provide for access to additional federal funds available through the Canada Education Savings Program, i.e. the Canada Learning Bond and Canada Education Savings Grants.

The objective of this policy is to increase the likelihood that more children who are or who have been in the care of CASs, as defined in this directive, will, with the incentive of increased financial resources, pursue postsecondary education and vocational training.

On July 20, 2006 the federal government began providing the UCCB directly to CASs for each child in the care of the society under the age of six. CASs receive \$100 per month of UCCB from the federal government for each child under the age of six for whom they are receiving the Children's Special Allowance (CSA). The federal government adds the UCCB for children under the age of six to the CSA funding to CASs. On July 19, 2006 the ministry sent a memorandum to all CASs, requiring that all UCCB funds be held in a General Ledger Suspense Account pending further direction.

Although this directive applies specifically to the use of funds equivalent to what the CAS has received through UCCB payments, the ministry encourages CASs to use other funds such as non-ministry, charitable contributions to open RESPs for other children in care who are not eligible for the UCCB as a means to encourage and assist youth in their pursuit of postsecondary education and vocational training.

1) Opening Registered Education Savings Plans

As of July 2005 the federal *Canada Education Savings Act* (CESA) provides authority for CASs to open RESPs for children in their care. An RESP allows a subscriber (parent, relative, caregiver, friend or CAS) to save for a child's postsecondary education or vocational training. The subscriber of the RESP is the owner. The savings are invested until the beneficiary, the child named in the RESP, enrolls in eligible postsecondary education or a vocational training program or the RESP is collapsed by the subscriber. (See appendix for a defined list of terms.)

When an RESP is opened by a CAS pursuant to this directive it will attract the following additional federal funds:

- The Canada Education Savings Grant (CESG) of 40% or \$200 on the first \$500 invested each year and 20% on subsequent investments of up to \$2,500 (i.e. a maximum of \$500 in a given year) and \$7,200 over the lifetime of the RESP.
- A one-time \$500 Canada Learning Bond (CLB) and \$100 in every year the child

remains eligible for the National Child Benefit Supplement or the CSA (for children born after January 2004).

The Royal Bank of Canada (RBC) has been selected by the Provincial/Territorial Directors of Child Welfare as the recommended common RESP provider for children in care of Canadian child welfare authorities. The ministry has selected the RBC as Ontario's common RESP provider for children in the care of CASs. While it is not mandatory that CASs work with RBC, the use of a common provider will facilitate access to RESPs for beneficiaries who move between jurisdictions or have their names legally changed. The RBC has established common procedures for CASs and child welfare authorities to open and manage RESPs and will produce reports with aggregate information for CASs. CASs are encouraged to work with their local bank branch to establish operating procedures for opening RESPs. RBC has committed to not charging fees to CASs for:

- opening or contributing to an account;
- setting up automatic deposits;
- switching among qualified investments;
- inquiring about the account;
- withdrawing funds from the account; or,
- closing the account.

The RBC has established "Target Education Funds" which, based on ministry review and consultation with CASs, has been determined to provide the most suitable balance between low risk and reasonable returns on investment for RESPs to which a CAS subscribes. The plan self-adjusts over time, so that CASs as subscribers, do not need to make investment decisions over the life of the plan.

2) Social Insurance Numbers (SIN)

In order to open a RESP, the child named as beneficiary must have a SIN. A birth certificate is required to obtain a SIN. A birth must be registered in order to obtain a birth certificate. Parents or CASs with legal care and custody of a child may apply for birth certificates and SINS.

It is recognized that many children enter care with no birth or other records, in some cases, because parents have not registered the births. The Office of the Registrar General (ORG) is currently processing birth registration applications within six to eight weeks. Registering the birth is a pre-requisite to obtaining a birth certificate. Children born in other jurisdictions must have appropriate birth records from those jurisdictions.

CASs must provide the following documents when applying for a SIN on behalf of a child in care:

- The child's original wallet-sized birth certificate;
- Original documentation giving care and custody of the child to the CAS, or where this is not available, a certified copy of the documentation;

- Proof of identity of the CAS employee who is making the application e.g., employee identification card, a delegation letter, or a delegation card. If the card does not have a photo, an additional valid identity document is required e.g., driver's licence or passport. (Note that personal proof of identity such as a marriage or birth certificate is not required.)

CASs must record the parent/guardian responses to requests that they obtain SINs in the child's file.

Service Canada has been notified that CAS employees with proper documentation have the appropriate authority to submit SIN applications for children in the care of a CAS. As referenced in directive item number 4 above, CASs are required to initiate the SIN application process within one month of the child becoming eligible.

For formal customary care, parents will need to apply for SINs on behalf of children.

Service Canada has discontinued the on-line processing of applications for children in care through the SIN Rapid Access service therefore only paper applications will be accepted.

3) Children's Aid Society's Role in Maintaining RESPs

CASs are required to hold RESPs on behalf of children until the youth is in a position to access the funds (i.e. enrolled in a qualifying postsecondary education or training program) or reaches 25 years of age, even if the child is adopted, has returned home, or is placed with a family through a custody order. Upon leaving care, the child and their caregiver should be provided with a letter indicating that the child is a beneficiary to an RESP for which the CAS is the subscriber. A copy of the letter should be retained in the child's file.

It should be noted that under the RESP rules, a child may be the beneficiary of more than one plan. In situations where the child has returned home, is adopted or is placed with a family through a custody order, additional RESPs can be opened and maintained by the families.

4) Redemption of RESPs

CASs as subscribers can redeem an RESP under the following circumstances:

- a) The beneficiary is enrolled on a full or part-time basis in a qualifying program at a designated institution. Designated institutions are broadly defined, and include:
 - a university, college, or other educational or vocational institution in Canada designated under the *Canada Student Loans Act*, or under the *Canada Student Financial Assistance Act*;
 - an educational institution certified by the federal government that develops or

- improves a person's skills for an occupation; or
- postsecondary institutions outside Canada (programs must be at least 13 weeks long).

The following link can be accessed for information on Canada Student Loans Program (CSLP) - Designated Educational Institutions

http://www.hrsdc.gc.ca/asp/gateway.asp?hr=en/hip/cslp/ImportantLinks/02_il_MasterListIndex.shtml&

If the institution is not on the list above, HRSDC also has a complete list of certified institutions that are also recognized for RESP purposes.

The list is available online at:

http://www.hrsdc.gc.ca/en/learning/canada_student_loan/MCL/appcert.shtml

RESP funds may be used for reasonable expenses related to participation in a program (e.g., tuition, room and board, books, transportation, supplies and equipment, etc). Payments are usually made by the RESP provider to the beneficiary at the direction of the subscriber. Agencies will establish policies to provide consistent direction.

Once the beneficiary is enrolled in a qualifying postsecondary education or training program, the CAS must authorize any and all payments out of the RESP. The RBC will continue to hold the funds remaining, and CASs, as subscribers, must make decisions with respect to payments as appropriate to the beneficiary's situation.

- b) CASs are required to hold an RESP until the beneficiary turns 25. Experience suggests that young people often return to high school or choose to pursue education or training at a later date. Upon turning 25, if the beneficiary has not enrolled in postsecondary education and training, the CAS should collapse the RESP and:
- The RBC will return all federal grant contributions (Canada Education Savings Grant and Canada Learning Bond) to Human Resources and Social Development Canada;
 - The principal and any other remaining funds in the RESP are then returned to the CAS as subscriber and are then provided to the beneficiary in full.

If the CAS is concerned that the youth may be at risk of financial exploitation or other harm related to receiving their funds due to mental incapacity, the CAS may wish to discuss a possible course of action with their legal counsel.

- c) Where the beneficiary has turned 25, the CAS must make reasonable efforts to locate the youth. Reasonable efforts may include sending a letter to the last known

address, inquiring through family or friends and possibly placing a classified ad in the newspaper.

When reasonable efforts have been made, but the CAS is unable to locate the beneficiary, the RESP must continue to be held for up to a year. If, after a year, the beneficiary has not been located, CASs must then redeem the RESP and disperse those funds remaining (after the federal grant contributions are returned to HRSDC) equally across their active RESPs.

The *Canada Income Tax Act* is being amended to reflect that when a child welfare agency transfers funds from one RESP to another under the same subscriber, the funds are not subject to penalty, and would again attract the federal grant contributions. The RBC will work with HRSDC to complete these transactions.

5) Treatment of UCCB Funds and Reporting

An amount equivalent to the amount received as UCCB funds must be used to fund RESPs in keeping with this policy directive. The UCCB funds are considered to be non-retainable income. With respect to reporting requirements regarding UCCBs, CASs may carry the funds over into a new fiscal year as deferred revenue in accordance with the requirements set out below.

CASs must report back on RESPs through the Multi-Year Results-based Plan (MYRBP) reporting cycle.

Given that funds equivalent to UCCB payments accumulated during 2006/07 and 2007/08 held in a General Ledger Suspense Account may not be invested in RESPs by March 31, 2008, the ministry will provide CASs with a letter to retain on file for internal audit purposes, as was done for 2006/07.

In future years, CASs are expected to schedule contributions to RESPs in consideration of the federal practice of calculating contributions on a calendar year basis. Funds should be deposited in RESPs prior to December 31 of each calendar year wherever possible in order to maximize the federal contributions to the RESPs.

The RBC will be providing all CASs with the following documents which must be retained on file:

- Quarterly statements for each RESP;
- An annual aggregate report of all RESPs for which the CAS is the subscriber.

Appendix:

As defined by the federal *Income Tax Act*, the following terms are used in the directive:

1. **Registered Education Savings Plan (RESP):** a savings plan that is registered by the Government of Canada to allow savings for education to grow tax-free until the beneficiary named in the RESP enrolls in education after high school.
2. **Beneficiary:** any person named by the subscriber of an RESP to receive money for education after high school from the RESP in the form of Education Assistance Payments (EAPs).
3. **Subscriber:** a person, or Children's Aid Society who opens an RESP and may make contributions to that RESP on behalf of an individual named as beneficiary.
4. **Canada Education Savings Grant (CESG):** a grant offered by the federal government to encourage subscription to RESPs whereby deposits are made directly from Human Resources and Skills Development Canada (HRSDC) into the RESP.
5. **Canada Learning Bond (CLB):** a grant offered by the federal government to help modest-income families who qualify for the National Child Benefit Supplement to start saving for their child's postsecondary education. Deposits are made directly from HRSDC into the RESP.
6. **Education Assistance Payments (EAPs):** payments made up of the Canada Education Savings Grant (CESG), the Canada Learning Bond (CLB), and income earned on the money saved in the RESP.
7. **Target Education Funds:** an investment portfolio that is aligned directly with a child's anticipated post-secondary education start date. The advantage of these funds is an asset mix that evolves over time from growth-oriented investments to more conservative. The investments provide growth potential up front and as the target date approaches, each RBC Target Education Fund becomes more conservative. The plan self-adjusts over time.
8. **RESP Provider:** any person or organization offering an RESP to the public. RBC has been selected as the national provider for RESPs for children in care.

ISSUANCE OF POLICY DIRECTIVE CW003-07: April 15, 2008



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