Myths Versus Realities

More than Money: Mining the human and financial potential of Canada's education savings programs for low-income families

Low-income children don't go on to post-secondary education because they don't get good grades.

Even among those students with an A+ average, students from low-income families are 10% less likely to attend post-secondary than those in the highest income quartiles.

Parents of low-income children to do not value post-secondary education because they are uneducated.

Numerous studies have found that parents of low-income children place a high value on education. For example, a survey of the parents of 95,000 Toronto students found that 92% of all parents want their children to purse post-secondary education and there is little difference between those with high income and those with low income.

In addition, much of Canada's poor are recent immigrants who are highly educated but underemployed.

Parents who are poor have more important things to worry about than saving for their children's education.

Parents place a high priority on education for their children and are often willing to make sacrifices to help them succeed.

Small amounts of savings don't make a difference because tuition is so high.

Education savings, especially started early in children's lives, can encourage children in low-income families to want to pursue post-secondary education and to put extra effort into their school work. Studies have found that even small amounts of savings are correlated with a child's feeling that post-secondary education is within their reach.

Low-income families cannot afford to start an RESP.

There is no cost to open an RESP with many providers.

Only scholarship plan providers sell RESP products.

Most financial institutions and all of the major banks sell RESP products. Scholarship plan providers are the only companies licensed to provide a "group" plan which is in some cases unsuitable for low-income families because of high fees and minimum contribution requirements.

Parents must make regular contributions to an RESP.

There is no requirement to make financial contributions to most RESPs offered by banks. The federal government will put up to $2,000 in an RESP for low-income students without any financial contribution from parents.

Families in receipt of social assistance cannot receive a Canada Learning Bond without seeing their benefits reduced.

The Canada Learning Bond is considered "exempt" as an asset and as income with respect to social benefits.

If a child does not pursue post-secondary education, all RESP contributions will be lost.

If the beneficiary of an RESP does not pursue post-secondary education, the Canada Learning Bond and any other government contributions (including the interest incurred) will be returned to the federal government. However, contributions made by parents can be withdrawn (the process is similar to withdrawing from an RRSP – the parent must pay the tax on the interest made).

Also, an RESP can be kept open for as long as 36 years so there is no pressure for a student to continue education directly after high school.