

RESPs Are Gaining Ground Among Quebec Families Half of them contributed to a plan in 2019

Quebec City (Quebec), January 21, 2020 – At this time of year, when everyone is looking to make the most of the tax advantages available to them, a CROP study reveals that the Registered Education Savings Plan (RESP) is clearly gaining ground among the investments favoured by Quebecers. For young families, it even outstrips the TFSA and RRSP on the list of financial products to prioritize.

When analyzing the investments chosen by families with young children, the survey found that 51% contributed to an RESP in the past year. According to a poll commissioned by Kaleido (an organization dedicated to offering education savings solutions), this preference for the RESP translates into a five-point increase compared to last year, all survey participants combined.

In response to the question as to which type of investment young families should prioritize, expert financial planner Stéphane Chrétien states that the RESP is particularly advantageous to this demographic. “For young families, the RESP is one of the most beneficial savings vehicles. In addition to the tax-free growth of the money invested, the RESP comes with government incentives in the form of grants that significantly increase returns. At the time of post-secondary education, the RESP is very flexible when it comes to using the funds accumulated to pay for school and the contribution refunds to investors,” explains the Laval University professor and IG Chair in Financial Planning.

Financial priorities of families: Paying off debt and education

It’s certainly a turn for the better to see that in recent years, the proportion of the population saving—all investment vehicles combined—has jumped from 75% (in 2016) to 83%. It comes as no surprise that the financial priorities of investors vary according to age. However, survey participants of all age groups were of the opinion that debt repayment (23%) and the RESP (22%) should come first for young families, followed by retirement savings (18%).

“Good savings habits are essential to achieving financial goals. While financial planning and public debate give much spotlight to saving for retirement, saving for college shouldn’t be overlooked given that post-secondary education is often the investment with the most lasting impact on career opportunities and quality of life,” concludes Chrétien.

Though all savings vehicles are gaining ground, the TFSA and REEE have particularly spiked among the investments favoured by Quebecers, with a 17-point increase each since 2013:

| Investment Type | 2019 | 2018 | 2016 | 2015 | 2014 | 2013 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| RRSP | 47% | 43% | 43% | 43% | 36% | 38% |
| TFSA | 53% | 49% | 46% | 37% | 32% | 36% |
| RESP | 25% | 20% | 17% | 11% | 8% | 8% |

A preference for safe investments

The study revealed that half of Quebecers don't like taking risks when investing. Indeed, 49% reported not wanting to lose any money on their investments, while only 13% were ready to sustain considerable losses for the possibility of generating higher returns.

"For parents saving for post-secondary education, it's very reassuring to invest their money in a financial product that guarantees the refund of their capital," explains Jean-Pierre Lapointe, spokesperson for Kaleido. In concrete terms, this means that parents who contribute to a Kaleido RESP are assured to recover all of the money they invested once it's time for post-secondary education, regardless of market conditions."

Too much grant money left on the table

Among the parents saving with an RESP, nearly half didn't contribute the maximum amount to attract all the grants they were entitled to. It's worth noting that in the province of Quebec, both levels of government support parents in their efforts to save for school by supplementing RESP contributions with 30% to 60% in grant money, based on family income.

"By not saving the maximum amount permitted, almost half of the parents who contribute to the RESP are missing out on significant government contributions to pay for their children's education," adds Lapointe. And despite the fact that RESPs have gained considerably in popularity, we mustn't forget that unfortunately, one in two families in Quebec has no RESP and leaves thousands of dollars in grants on the table."

CROP survey methodology: web panel carried out from November 16 to 21, 2016, using a sample of 1,003 respondents residing in the province of Quebec. The 2013, 2014, 2015 and 2016 data also come from CROP surveys using the same methodology during the same period, only the dates vary slightly from year to year.

About Kaleido

Kaleido is an education savings pioneer that supports families across Quebec and New Brunswick in helping their children reach their full potential. Kaleido includes a foundation, a management company and a financial services firm. The organization has over 100 employees and 150 representatives dedicated to providing parenting support and education savings solutions that serve a stepping stone for children in building tomorrow's society. Kaleido has issued \$885 million in educational assistance payments and savings refunds to benefit over 227,000 children, and has over \$1.5 billion in assets under management. To learn more, visit kaleido.ca and follow us on social media.

– 30 –

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