

Product summary

How it works

Advantages of using an RESP loan

- Way to increase contributions to maximize the amount of government grants received without changing the planned budget
- Possibility of recovering unused grants from previous years
- Better returns by investing the additional amounts obtained through contributions and grants
- Loan repayable at any time, and not payable until the end of the plan in which it is invested
- Competitive interest rate
- No credit check.



Interest rate

To find out the annual interest rate and the effective interest rate, visit ia.ca/resp-loan.

At a glance

Authorized amount

An RESP loan application can include multiple beneficiaries.

- The minimum loan per application is \$500
- The maximum loan is \$5,000 per beneficiary annually

The subscriber can borrow up to 100% of the contribution amount paid by the subscriber into the RESP as long as the initial 50% loan ratio is met. For a subsequent RESP loan application, this ratio must be met.

Initial loan ratio

$$\frac{\text{RESP loan (including interest incurred, if applicable)}}{\text{Admissible value}^*} \leq 50\%$$

Meeting the loan ratio

Once the loan is granted, the loan balance can go up to 75% of the admissible value*.

Maximum loan ratio

$$\frac{\text{RESP loan (including interest incurred, if applicable)}}{\text{Admissible value}^*} \leq 75\%$$

If the loan ratio reaches 75%, the subscriber will have to partially repay the loan or make an additional RESP contribution to reduce the ratio back to 50%.

* The admissible value represents the contributions paid by the subscriber and those from the RESP loan. If the RESP has negative returns, this amount is withdrawn from the contributions.

Repayment terms

Repayment date

- No amount is payable during the contract term
- The loan is repayable in full no later than December 31 of the 35th year of the plan, as all amounts need to be withdrawn from the RESP by that date

Repayment method

The subscriber can choose one of the following loan repayment options:

- Fixed pre-authorized debit (PAD). The minimum monthly amount is \$25
- Lump-sum repayments
- Loan repayment in full

RESP loan application and follow-up

Forms to complete

RESP loan application (F39A):

- Electronic form accessible via an existing RESP contract (in My Clients section of the Advisor Centre) or via Tools and Applications in the Advisor Centre navigation menu
- PDF form available in the Document Centre of the Advisor Centre

The contributions from the RESP loan are deposited into the RESP contract identified in the loan application.

Annual statement

A statement dated on December 31 is sent to the client every year.

If the loan ratio is not met

Upon written notice stating that the loan ratio exceeds 75%, the subscriber has 30 business days to take action to reduce the ratio to 50%. The advisor will receive a copy of this notice and can propose one of the two following options to the subscriber:

- Make a partial repayment of the loan
- Make an additional RESP contribution



For more details on RESP loans, refer to the RESP product guides available in the Advisor Centre Document Centre.

The RESP illustration tool also allows you to simulate scenarios based on your client's situation and quickly demonstrate the added value of the RESP loan on the amounts accumulated for their child's postsecondary education.

INVESTED IN YOU.

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