Manulife Investment Management

Advisor guide

# Manulife Segregated Fund Registered Education Savings Plan (RESP)

The Manufacturers Life Insurance Company

Helping to fund a child's post-secondary education is an important investment in his or her future, but increasingly it's become more expensive for individuals and families to do so. With the Manulife Segregated Fund Registered Education Savings Plan (RESP), you can offer your clients an investment solution from a strong and stable company to help them prepare for their children's future education needs.

## Client benefits

- A Registered Education Savings Plan (RESP) is a flexible and convenient way to save for a child's future education.
- Investment income generated in an RESP is tax-sheltered as long as it remains in the plan.
- Federal grants are available to qualified student beneficiaries to help RESP savings grow.
- There are no annual fees payable outside of the management expense ratio (MER).
- A segregated fund contract offers protective features, including death benefit and maturity guarantees.
- When withdrawn, plan growth and government grants can be taxed at the student's tax rate (he or she could pay little or no tax on this money).

## Your opportunity

- You have an additional investment option from Manulife to help your clients prepare for the future and achieve their financial goals.
- No additional licensing is required—if you are contracted to sell life insurance, you can enter the segregated fund RESP market.
- You have a means of appealing to a broader market, including younger clients that can provide you with ongoing opportunities to grow your total book of business.

# Manulife Segregated Fund Registered Education Savings Plan (RESP) features at a glance

| | |
|---|---|
| **Death Benefit Guarantee** | 75% of deposit value, reduced proportionally by withdrawals |
| **Maturity Guarantee** | 75% of deposit value, reduced proportionally by withdrawals |
| **Contract Maturity Date** | December 31st of the 35th year (40th year for a Specified Plan) after the RESP inception date |
| **Resets** | None |
| **Additional guarantee fees** | No guarantee fees outside of the MER |
| **Initial deposit minimum** | No deposit is required if applying for the Canada Learning Bond (CLB).[1] |
| **Fund minimums** | • $100 per fund, per sales charge option<br>• $25 per fund, per sales charge option for Pre-Authorized Chequing plans (PACs) |
| **Pre-Authorized Chequing (PACs deposit minimum** | $25 per month |
| **Plan fees** | No annual plan fees |
| **Contribution limit** | No annual contribution limit; $50,000 lifetime contribution limit per student beneficiary |

| | |
|---|---|
| **Latest age to deposit**[2] | **The earlier of:**<br>• December 31st at age 75, based on the age of the Subscriber; or<br>• December 31st of the 31st year (35th year for a Specified Plan) after the RESP inception date and before the student beneficiary's 31st birthday for a family plan |
| **Withdrawals** | Several types of withdrawals can be requested—see the Withdrawals from the RESP section of this Advisor Guide for further information. |
| **Subscriber or Joint Subscriber** | In most cases the Subscriber is also the annuitant. In the event of the Subscriber's death, the Joint Subscriber (if applicable) will automatically become the annuitant.[3] |
| **Funds available** | A choice of quality segregated funds which invest in underlying Manulife Mutual Funds |
| **Fund switch information** | • Five free switches permitted per calendar year<br>• Switches permitted **only within** the same sales charge option<br>• Switches between funds (within the same sales charge option) do not affect any of the guarantees. |
| **Plan types** | • Individual Plan<br>• Family Plan |
| **Government incentives and grants available**[4] | • Canada Education Savings Grant (CESG)<br>• Additional CESG<br>• Canada Learning Bond (CLB) |

[1] Contract is in effect once the CLB is received.

[2] Or the latest date to own under the *Income Tax Act* (Canada)

[3] In Quebec on the death of either Subscriber, his or her share will pass to his or her estate.

[4] Manulife does not support any provincial grant incentives at this time.

**Note:** Back-end load and low load sales charge options no longer allow new deposits, subsequent deposits, PAC deposits and switches in from other sales charges. Effective May 26, 2023, existing PACs in these sales charge options will continue to front-end. Switches within the same sales charge option are permitted. Existing investments in back-end or low load will remain and the existing sales charge schedule will apply to any withdrawals.

# Protection features

## In addition to helping to save for a child's future post-secondary education, the Manulife Segregated Fund RESP offers valuable protection features to the Subscriber that are only available through a segregated fund contract.

## Death benefit guarantee

The Manulife Segregated Fund RESP offers a 75 per cent death benefit guarantee that can help protect the savings your clients wish to pass on to family and loved ones in the event of death. The death benefit guarantees, at minimum, 75 per cent of all deposits to the Plan, reduced proportionally by withdrawals, even after market downturns.

## Maturity guarantee

The Manulife Segregated Fund RESP offers a 75 per cent Maturity Guarantee. Upon contract maturity, which is December 31st of the 35th year (40th year for a Specified Plan) after the RESP Inception Date, the Maturity Guarantee is, at minimum, 75 per cent of all deposits to the Plan, reduced proportionally by withdrawals, even if market downturns have reduced the contract to a value of less than 75 per cent.

**Note:** The *Income Tax Act* (Canada) requires that the Plan must be the beneficiary of the contract and, therefore, creditor protection is generally not available even for an RESP with an insurance company. However, Alberta legislation provides protection for assets held in an RESP and where used for post-secondary education purposes.

## Key terms

The following are key terms used in this Advisor Guide and that may also appear in other marketing materials for the Manulife Segregated Fund RESP. For a complete list of terms and full definitions of these terms, please refer to the Manulife Segregated Fund ESP Terms and Conditions, and Information Folder and Contract (MK2760), including the applicable fund provisions.

| | |
|---|---|
| **Contract Beneficiary** | Legislation requires that the Plan must be the beneficiary of the Contract and will receive the proceeds at the death of the last surviving annuitant to satisfy the payments made under the RESP. |
| **RESP Inception Date** | The year the Plan is entered into. For transfers in, the earlier of the date the Plan is entered into or the date the former RESP was entered into. |
| **Promoter** | The promoter of the Manulife Segregated Fund RESP is The Manufacturers Life Insurance Company. The promoter is responsible for the registration of the ESP as well as its general administration and can also be referred to as the provider. |
| **Student Beneficiary** | The Student Beneficiary(ies) is/are the individual(s) named by the Subscriber to receive the Educational Assistance Payments (EAPs) from the RESP. |
| **Subscriber** | The Subscriber is the individual named on the Application and who typically makes the contributions to the RESP. In most cases the Subscriber is the annuitant. |

# How the Manulife Segregated Fund RESP works

## Subscriber enters into an RESP contract with Manulife and names student beneficiary(ies) under the plan.

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**Subscriber** contributes to the RESP. ↓

**Government grants or incentives (as applicable)**

CESG is paid to the RESP. ↓

CLB is paid to the RESP. ↓

Manulife administers amounts paid into the RESP. Income is not taxable as long as it remains inside the plan. Manulife makes payments from the RESP in accordance with plan terms.

## Types of withdrawals

**1** Student beneficiary **enrolls in** post-secondary education.

| | Source | Taxation |
|---|---|---|
| **Post-secondary Education (PSE) contribution withdrawal** | RESP contributions | Returned tax-free to subscriber |
| **Education Assistance Payments (EAP)** | RESP earnings, CESG, and other incentives | Taxable to student beneficiary at his or her marginal tax rate |

**2** Student beneficiary **does not enroll** in post-secondary education

| | Source | Taxation |
|---|---|---|
| **Contribution withdrawal** | RESP contributions | Returned tax-free to subscriber |
| **Accumulated Income Payments (AIP)** | Earnings on contributions, grants, and incentives | Paid to subscriber and taxable at his or her marginal tax rate, plus an additional 20% tax |

**CESG**: unused grants returned to government; no tax consequences

**CLB**: returned to government; no tax consequences

# RESP information

## Subscriber designation

### Individual Plan

- Option to be a single subscriber
- Joint subscribers must be spouses[5] of each other
- Public primary caregiver—a department, agency, or institution that is charged with the care of a student beneficiary
- Can be any relationship to the student beneficiary

### Family Plan

- Option to be a single subscriber
- Joint subscribers must be spouses of each other
- Trusts and corporations are not allowed
- Must be related by blood[6] or adoption to the Student Beneficiary

## Changing the subscriber

### Individual Plan

- A spouse or former spouse can replace the original Subscriber in the event of marital breakdown and
- Anyone who inherits the Subscriber's assets (including the estate) can replace the Subscriber due to death.

### Family Plan

- A spouse or former spouse can replace the original Subscriber in the event of a death or marital breakdown.
- If a Subscriber is replaced due to death, any new Student Beneficiary added to the Plan must be related to the original Subscriber by blood or adoption.

## Student beneficiary designation

### Individual Plan

- Student beneficiary can be any age and only one student beneficiary is allowed; note that the subscriber can also be the student beneficiary.
- Must have a Social Insurance Number (SIN) to open an RESP and reside in Canada (the residency requirement does not apply when made in conjunction with a transfer from another RESP where the individual was a beneficiary immediately prior to the transfer), and can be of any relation to the subscriber

### Family Plan

- Can have one or more Student Beneficiaries
- Must be related to Subscriber by blood or adoption
- Student Beneficiaries must be under 21 when they are named to the RESP (unless by way of transfer from another Family RESP).
- Must have a SIN to open an RESP and reside in Canada (the residency requirement does not apply when made in conjunction with a transfer from another RESP where the individual was a beneficiary immediately prior to the transfer)
- Student Beneficiaries must be siblings in order to receive additional government incentives, i.e. other than the Basic CESG.

[5] The term spouse includes common-law partner as these terms are defined by the *Income Tax Act* (Canada).

[6] A blood relative is a parent or a grandparent.

## Changing the student beneficiary

**Individual and Family Plans**

- Can be changed at any time as long as the change complies with the criteria set out in the student beneficiary designation section of this advisor guide
- CESG and ACESG will need to be repaid if the new student beneficiary is not a sibling of the former student beneficiary and is not under 21 years of age.
- For family plans, the replacement student beneficiary must also comply with the sibling-only requirement for the additional government incentives. If not, the additional incentives (Additional CESG) will need to be repaid.
  - CLB must be repaid upon replacing the student beneficiary, regardless of relationship to the Subscriber

## Death of student beneficiary

**Individual and Family Plans**

- Subscriber can designate a replacement Student Beneficiary provided the replacement meets the conditions set out in the Student Beneficiary Designation section of this Advisor Guide.
- CESG and ACESG may need to be repaid if the new Student Beneficiary is not a sibling of the former Student Beneficiary and is not under 21 years of age.
- CLB will need to be repaid as it is beneficiary specific and cannot be shared.
- If a replacement Student Beneficiary is not appointed and there are no others noted in the Plan, the CESG and other government incentives would have to be repaid when the Plan is terminated.

## Latest age to deposit

**Individual Plan**

- Up to the end of the 31$^{st}$ year (35$^{th}$ year for a Specified Plan) after the RESP inception date
- Not limited by the age of the student beneficiary

**Family Plan**

- Up to the earlier of the end of the 31$^{st}$ year after the RESP Inception Date and the date the Student Beneficiary turns age 31

## Contribution limits

**Individual and Family Plans**

- No annual contribution limit, but subject to a maximum of $50,000 lifetime contribution limit per Student Beneficiary

## Tax on over-contributions

**Individual and Family Plans**

- Subject to a one per cent per month tax on the excess amount not withdrawn by end of the month
- Subscriber must complete the applicable government tax forms.
- Subscriber is solely responsible for ensuring that the contribution limits are not exceeded.

# Government incentives and grants available[7]

## Basic Canada education savings grant (CESG)

**Individual and Family Plans**

- 20 per cent of the first $2,500 contributed per year
- Maximum per year is $500 (carry-forward of grant room can allow up to $1,000 per year)
- Maximum CESG lifetime limit per student beneficiary is $7,200.

## Basic Canada education savings grant (CESG)

**Individual and Family Plans**

- Student beneficiary must be a resident of Canada and must have a valid SIN.
- Contributions must be made before December 31st of the year in which the student beneficiary turns 17 years of age.
- Student beneficiaries who are turning 16 or 17 in the current calendar year are eligible for the CESG, provided they meet one of the following conditions:

  a) A minimum of $2,000 of contributions was made, and not withdrawn from the RESP, on behalf of the student beneficiary before the end of the calendar year in which he or she turned 15 years of age

  b) A minimum of $100 in annual contributions was made, and not withdrawn from the RESP, in any four years before the end of the calendar year in which the student beneficiary turned 15 years of age

## CESG carry-forward

**Individual and Family Plans**

- Every Canadian child accumulates $500 CESG "room" as of January 1, 2007 or the year of birth, whichever is later. ($400 from 1998 to December 31, 2006)
- Grant "room" (maximum of $1,000 per year from January 1, 2007) can be carried forward to the end of the student beneficiary's 17th year.

## CESG repayment

**Individual and Family Plans**

- Employment and social development Canada (ESDC) will generally claw back the CESG when or if contributions are withdrawn, the student beneficiary does not enroll in post-secondary education, the plan terminates, and/or an AIP is made.

## Additional CESG

**Individual and Family Plans**

- Based on family income of the primary caregiver, an additional 10 or 20 per cent on the first $500 per year (over and above the basic CESG).
- Maximum per eligible year is $100, but no carry-forward of additional CESG available.
- Included in the CESG maximum per student beneficiary of $7,200
- For Family Plans only, all student beneficiaries must be siblings.

## Canada learning bond (CLB)

**Individual and Family Plans**

- Based on the primary caregiver receiving the Canada Child Benefit (CCB)
- An additional incentive of up to $2,000 for student beneficiaries born after December 31, 2003
- $500 initial deposit with an additional $100 per year until the student beneficiary reaches age 15
- $25 additional deposit to cover the expense of setting up an RESP (since Manulife does not charge a fee for setting up an RESP, the $25 is added to the plan)
- For family plans only, all student beneficiaries must be siblings.

[7] Manulife does not support any provincial grant incentives at this time.

# Withdrawals from the RESP

## Student beneficiary enrolls in post-secondary education

**Educational Assistance Payments (EAP)**

- Consist of the RESP's earnings, CESG, and other government incentives
- Student Beneficiary must be enrolled in a qualifying post-secondary educational program
- For full-time studies, EAP is limited to $5,000 for the first 13 consecutive weeks of enrollment in a qualifying post-secondary educational program.
- For part-time studies, EAP is limited to $2,500 for the 13-week period preceding the payment of the EAP; enrollment must be in a qualified educational program; for details about what constitutes a qualified education program, please see the ESP Terms and Conditions included with the point of sale documents.

**Post-Secondary Education (PSE) Contribution Withdrawal**

- Any withdrawal of contributions while any student beneficiary is entitled to receive an EAP
- Does not incur a CESG repayment

## Student beneficiary does not enroll in post-secondary education

**Contribution Withdrawal**

- The subscriber is entitled to withdraw contributions at any time.
- This triggers CESG repayment equal to the lesser of 20 per cent of that withdrawal and the outstanding CESG balance (in cases where there is additional CESG, the repayment amount may be greater than 20 per cent); certain conditions may apply.[8]

**Accumulated Income Payments (AIP)**

- Consist of earnings on contributions to the plan and earnings on the CESG and other additional government incentives
- Paid to the subscriber, all unused CESG and any additional government incentives are repaid and the plan must be terminated by the end of February of the year after the year the first payment was made.
- Included in income, taxed at the regular income tax rate, plus an additional 20 per cent tax
- If the recipient has sufficient RRSP contribution room, they can contribute up to $50,000 to their RRSP or a Spousal RRSP and use the resulting deduction to offset the income inclusion and avoid the additional 20 per cent tax.
- The following conditions must be met:

  a) The recipient must be a Canadian resident,

  b) The recipient must be a subscriber of the RESP, and

  c) Any one of the following:

    i) The plan must have been in existence for at least 10 years and the current (and former, if any) beneficiary(ies) must be at least 21 years of age and not eligible to receive an EAP.

    ii) Each individual who was a student beneficiary has died.

    iii) The plan is in its final year.

[8] The withdrawal of assisted contributions from an RESP after March 22, 2004 will result in a Student Beneficiary being ineligible to receive Additional CESG for the balance of the year and the next two years. A withdrawal of pre-1998 contributions will cause all Student Beneficiaries under the plan to be ineligible for the CESG in the calendar year in which the withdrawal was made and for the following two calendar years.

# What is required for set-up?

1. Manulife Segregated Fund Education Savings Plan (ESP) application form (available via Repsource.ca/OnlineTransactions) including the student beneficiary's Social Insurance Number (SIN)

2. Employment and Social Development Canada (ESDC) Incentive application form via Online Transactions on Repsource

3. Submit all applicable applications to Manulife Financial Head Office.

# Contact information

## CRA

**Phone:** (RESP) 1-800-267-3100
**Website:** cra-arc.gc.ca

## ESDC

**Phone:** 1-888-276-3624
**Website:** esdc.gc.ca

## Manulife Investment Management

Manulife's dedicated team of customer service representatives is available from 8:00 a.m. to 8:00 p.m. (8:00 a.m. to 6:00 p.m. in Quebec) EST daily to answer any inquiries about the administration or servicing of your business. Support for Manulife advisors is available at:

**Phone:** 1-888-790-4387 (For assistance in English)
1-800-355-6776 (For assistance in French)

**Website:** www.manulifeim.ca

# Rely on the strength of Manulife Investment Management

For more than 130 years, Canadians have turned to Manulife for their biggest financial decisions. Today, we provide financial products and services to **one in every five Canadians.**

- *130+ years* of history
- *C$969 billion* in funds under management[9]
- *19* regions globally;
  *650+*investment professionals
- Named to **PRI Leaders' Group 2020**[10]
  for *excellence* in climate reporting
- *A+* top scores from the Principles
  for Responsible Investment (PRI)
  for strategy and governance,
  for equity integration, and for SSA fixed
  income (sovereign, supranational,
  and agency debt)[11]

## Assuris

The Manufacturers Life Insurance Company is a member of Assuris. Assuris is the not-for-profit organization that protects Canadian policyholders in the event their life insurance company fails. Details about Assuris' protection are available at **www.assuris.ca** or by calling the Assuris Information Centre at **1-866-878-1225**.

[9] Source: MFC Statistical Information Package. Manulife Investment Management is the unified global brand for Manulife's global wealth and asset management business, which serves individual investors and institutional clients in three businesses: retirement, retail and institutional asset management (public and private markets). Global Wealth and Asset Management AUMA at September 30, 2022, which includes $220.6 billion of assets managed on behalf of other segments and $167.8 billion of assets under administration. Assets shown in Canadian dollars.

[10] Principles for Responsible Investment's **PRI Leaders' Group 2020**, press release, October 19, 2020.

[11] **Manulife Investment Management PRI assessment report 2020**. Source: **PRI methodology**

**Manulife** Investment Management

For more information, contact your Manulife Investment Management Sales team or visit **manulifeim.ca**



To speak with Manulife Investment Management about segregated funds, call 1-888-790-4387.

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