How high-net-worth families can get the most from RESPs

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At the end of 2025, registered education savings plans (RESPs) were deferring taxes on the growth of $98.6-billion in assets, with a 2022 Statistics Canada report highlighting the unsurprising fact that high-income families have significantly higher RESP balances.

Although there's consensus among advisors that wealthy families with children should have RESPs, how much to contribute – and when – as well as how to structure withdrawals are subject to debate.

Two funding approaches tend to dominate for high-net-worth families, according to Aaron Hector, founding partner and senior wealth advisor with Tier Wealth in Calgary.

The first is to deposit the $50,000 maximum contribution on day one, pick up one year's Canada Education Savings Grant (CESG) and then let the plan grow.

The second is to deposit $16,500 immediately, followed by $2,500 annually until the CESG (matching 20 per cent of contributions up to $500 each year and $7,200 total per child) is maxed out.

Mr. Hector was curious about what worked best in different circumstances, so he created a model to analyze outcomes based on multiple factors including rates of return, composition of returns, provincial marginal tax rates and income-tested benefits such as the Canada Child Benefit.

His analysis favours a five- to eight-year schedule, with an initial contribution of $32,500 to $40,000, followed by four to seven years of CESG-maximizing $2,500 annual contributions.

“That approach proved to have, first of all, better actual rate of return outcomes over the long term. It also had better downside protection against the worst possibility if markets didn’t go the way you wanted,” he says.

For Ludmila Esmail, investment advisor and financial planner with Wellington-Altus Private Wealth Inc. in Burlington, Ont., the decision about what to contribute and when depends on each family’s situation.

That said, front-loading with a large (or maximum $50,000) contribution is generally appropriate when a high-net-worth family has maximized contributions to all other registered accounts and wants to shelter a substantial amount of money from short-term taxation, she says.

Paul Rietkerk, wealth advisor and client relationship manager with Nicola Wealth Management Ltd. in Vancouver, says a mix of math and human calculations go into deciding whether to make a big initial RESP contribution.

Although families may get an indisputable financial benefit from moving tens of thousands of dollars into a tax-deferred RESP from a taxable account, there are risks to committing that much capital before knowing whether a young child will pursue post-secondary education.

He says it’s also important to find out if a family has close ties to a specific academic institution outside Canada. Some families are adamant their children will follow in their footsteps and graduate from the school they attended.

That’s because while many foreign post-secondary programs qualify for RESP educational assistance payments (EAPs), taxable in the student’s hands, not all do. If a family’s preferred school isn’t eligible, it’s generally better to save for education outside an RESP.

A strategic plan for withdrawals

Mr. Hector’s modelling of RESP funding options is complex: averaging three published rate-of-return forecasts and running the data through Monte Carlo simulations to randomize year-by-year returns.

That said, developing a tool to optimize withdrawal strategies proved to be far more complicated because of the variability in factors such as years of education, costs with and without receipts, and whether a student is earning money while studying (for example, in a co-op semester).

To minimize the risk that money from growth and grants remains in an RESP and ultimately taxed in the subscriber’s hands, Mr. Hector says it’s worth considering withdrawing the maximum EAP each year a student is attending a qualifying program ($29,459 in 2026).

Up to that threshold, there's often no need to provide receipts for the wide range of allowed reasonable expenses. He notes one large expense that qualifies is a car to travel to and from school.

There's an $8,000 limit on EAPs during the first 13 weeks of a full-time program, but students starting post-secondary education in September can withdraw the maximum EAP for their first calendar year in late December and soon thereafter withdraw the maximum EAP for the second calendar year in January.

Meanwhile, the subscriber can withdraw their contributions to the RESP tax-free. When the time comes for that, Mr. Hector says one option that continues to protect this money from taxes on growth is to shift it into the student's tax-free savings account or first home savings account, assuming contribution room is available.

If RESP beneficiaries can't extract all possible EAPs from an RESP, CESGs are forfeited. However, Ms. Esmail says subscribers may want to save up some RRSP contribution room in preparation for receiving up to $50,000 of growth on contributions and CESGs as an accumulated income payment (AIP). Without this kind of planning, an AIP paid to the subscriber is taxed in their hands with an extra 20 per cent penalty.

Mr. Rietkerk sees planning for RESP withdrawals as so critical that he would view it as a failure if a client ended up with a large balance of growth and grants after all plan beneficiaries have completed post-secondary education.

"It's small potatoes in the grand scheme of things [for a high-net worth family], but the most time-consuming because of all these nuances," he says.

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