

# Skyrocketing tuition has families investing in RESPs

BY PATRICK MANGION  
Staff Writer

Tom and Stacey Webster figure it could cost as much as \$300,000 for their four children to follow in their footsteps.

That's the estimated bill to send them all to university, starting in six years.

So they started saving well in advance.

With more relaxed rules and a grant program from the federal government, the Aurora couple decided to open a registered education savings plan (RESP) about six years ago.

The government will contribute \$400 to those investing at least \$2,000 a year in their children's education.

That was all the motivation the Websters needed after crunching the numbers for themselves.

"We both went to university and we didn't have much savings for school.

"We wanted a better strategy to get our kids through," said Mr. Webster, who earned an MBA from McMaster University.

Currently, it would cost \$15,000 to \$18,000 a year to attend an Ontario university, including tuition, residence, books and meals.

Mr. Webster expects it will cost upwards of \$20,000 for a year away at university by the time their youngest child, a five-year-old in kindergarten, is ready to leave the nest.

The Bank of Montreal estimates the price tag on a four-year degree, including

tuition and living costs, will be about \$96,000 in 15 years.

RESPs garnered more interest when Ottawa began topping up annual contributions with grants several years ago.

While RESPs are not nearly as popular as retirement savings, skyrocketing tuition fees have helped bring the investment to the forefront, said Kevin Thornton, a BMO Nesbitt Burns investment advisor with the Murdoch Group.

If a parent started contributing to a RESP when the child is eight and contributed for 10 years at \$2,000 per year with the government grant of 20 per cent and an assumed rate of interest of 7 per cent, the account would be approximately \$35,000 by the time the child was 18 and started post-secondary learning, Mr. Thornton said.

Before government changes made RESPs attractive, parents were reluctant to invest in education plans because the funds would be forfeited if the child did not attend college or university.

As well, the profile of RESPs was not aided by a report by the Ontario Securities Commission last year.

Five dealers of traditional savings plans — firms that sell RESPs exclusively, as opposed to banks — were monitored closely by the commission, following accusations of high-pressure sales tactics and targeting low-income families.

A year earlier, a national report found some dealers were not meeting industry standards.

Nevertheless, as far as investments go, RESPs are as close to a can't-miss product as there is, Mr.

Thornton said. "You're not going to find many (investments) where you get a 20-per-cent grant,

it's tax-free as it grows and the beneficiary pays interest on any gains when the money is withdrawn."



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