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## How to Take Full Advantage of the RESP



By Benjamin Sinclair (<http://www.fool.ca/author/bensinclair/>) - April 29, 2015 [CNI \(/company/?ticker=nyse-cni\)](#) [TD \(/company/?ticker=nyse-td\)](#) [CNR \(/company/?ticker=tsx-cnr\)](#) [TD \(/company/?ticker=tsx-td\)](#)

According to a national survey conducted for Chartered Professional Accountants of Canada, nearly half of participating parents haven't yet opened a Registered Education Savings Plan (RESP).

This is quite shocking. After all, if there's money sitting on a table, how many of those parents would leave it sitting there?

There's only one reasonable explanation for these findings: a lack of awareness. So, on that note, we take a look at how to take full advantage of the RESP.

### What exactly does the RESP allow you to do?

To put it simply, RESPs allow parents to save for their children's post-secondary education. All you have to do is get your child a SIN number, and then numerous financial institutions (including all the major banks) can help you from there.

RESPs have some big advantages. First of all, any investment income earned inside an RESP is not taxed until it's withdrawn. And when it is withdrawn, it's only taxed at the student's rate (which in most cases is zero).

Even better, RESPs come with some generous government grants. To be more specific, the Canadian government will match 20% of your contribution up to \$2,500 per year for an annual grant of \$500. So, over the life of an RESP, anyone can get up to \$10,000 per child from the government (the lifetime contribution limit is \$50,000 per child). Further grants are available to low-income families.

### What investments should you hold in an RESP?

If you go to a big bank, they will surely suggest their own mutual funds. Unfortunately, these funds come with some hefty fees (often more than 2% of your balance every year).

If you're willing to pick your own stocks, you can save yourself some of these exorbitant fees. You just want to make sure to pick solid, reliable companies.

A good example is **Toronto-Dominion Bank** ([TSX:TD](#)) ([/company/?ticker=TSX-TD](#))([NYSE:TD](#)) ([/company/?ticker=NYSE-TD](#)). TD is one of the world's most stable banks and has an excellent track record. It faces limited competition in Canada, ensuring that profits will be easy to come by for many years. Since 1970 its dividend has been raised more than 60 times and never been cut.

Another good example is **Canadian National Railway Company** ([TSX:CNR](#)) ([/company/?ticker=TSX-CNR](#))([NYSE:CNI](#)) ([/company/?ticker=NYSE-CNI](#)), Canada's largest rail company. Like TD, CNR operates in an industry with limited competition—there are only six major railways in all of North America. Better yet, barriers to entry are far too high for any new competitors to emerge. So, even by the time your child is ready for school, CN Rail will still be chugging along.

### Another top stock for your RESP

This FREE report reveals what our analysts have identified as **one TOP stock for 2015 and beyond** ([http://www.fool.ca/free-stock-report/1-top-stock-for-2015-and-beyond/?pid=New\\_Topstock\\_2015](http://www.fool.ca/free-stock-report/1-top-stock-for-2015-and-beyond/?pid=New_Topstock_2015))--a stock with a tollbooth-like business; a solid management team; and a reliable, consistent, and rising dividend. It's exactly what you should be seeking for your RESP.

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