



# RICE SOLUTIONS

Building a Bright Future with RESPs • Insuring Your Children's Future  
Jump Start Your Savings • Pay Yourself First with Pre-Authorized Chequing

## Building a Bright Future with RESPs

**T**oday, post-secondary education is becoming an increasingly important aspect in young people's quest for a rewarding career. Unfortunately, it's also becoming increasingly expensive—putting financial pressure on parents and students to come up with the necessary funds to get the training needed to succeed.

Regardless of whether you're saving for children or yourself, starting early and maintaining regular contributions is key. Investing in a Registered Education Saving Plan (RESP) can be a great way to fund you or your children's dreams of higher learning. What's great about investing in an RESP is the fact your funds grow tax free until withdrawn—allowing your funds to grow faster and ensuring they are there when you need them. Additionally, the variety of RESP plans available provides you with control and flexibility to establish a plan

that's right for you. Generally, two categories of RESPs exist: family plans and individual plans. If parents are saving for more than one child, family plans are an ideal option. In a family plan, funds can be divided between one or more beneficiaries and, should one child choose not to pursue post-secondary education, funds may be transferred to another child within the plan. In contrast, individual plans are designed to save for one particular person. Here, the recipient does not have to be related to the subscriber and does not have to be under age 21 when named. If you like, you can even set up an individual RESP for yourself—being both the subscriber and the recipient.

When contributing to an RESP you may also qualify to receive funds through government programs like the Canadian Education Savings Grant (CESG) and the Canadian Learning Bond (CLB) that can be put toward tuition,

living accommodations, and other educational expenses. However, these programs are for children only. Adults saving for their own education are not eligible. Where the CLB is offered to modest income families, the CESG matches a portion of investors' contributions based on their household earnings. Depending on the income bracket you fall into, the government will match 20 to 40 per cent of your contribution every year. So, regardless of what interest rates are doing, you're still ahead at least 20 per cent of your initial investment—a pretty good guarantee.

Education is a big investment, but the returns promise to last a lifetime. Investing in an RESP is an effective way to ensure you and your children are financially equipped to transform potential into realistic achievements. •

## Pay Yourself First with Pre-Authorized Chequing

**W**e all know spending money is easy. It's saving that takes discipline. The hardest thing for many young investors is setting some money aside each pay cheque, but with pre-authorized chequing you can ensure you save before you spend. Signing up for pre-authorized chequing allows financial

institutions to automatically withdraw money from your chequing account and invest it in a savings vehicle of your choice. You choose how much you can afford to deduct and how often, which keeps you in control of your account. Because the funds you allocate never enter your hands, you'll never have to worry about

spending it. Young investors often have a lot of bills to pay. From tuition and school expenses to car payments and student loans, it's not easy to put aside some money for yourself. But, to ensure you have a secure financial future it is important start paying yourself as well. •

# Insuring Your Children's Future

This holiday season, give your children the gift of a secure financial future. Although life insurance may not top the list of a youngster's "must haves," it's one of the most valuable gifts a parent can give.

Parents often say when children come into the picture everything changes—particularly the way they think about the safety and protection of their family. Many times this results in parents reevaluating their own insurance coverage. However, by also investing in insurance solutions for their children, parents can provide financial protection and peace of mind for years to come. Children may seem like unusual candidates for life insurance, but there are several benefits of insuring the life of a child early on—the largest stemming from their good health. Insuring your children while they are healthy puts them in better position to purchase more coverage should they need it in the future.

Additionally, by implementing a feature called "guaranteed insurability" within their plan, you can ensure your child remains eligible for coverage throughout their life regardless of health changes. With a variety of such options to choose from, you can create a plan specific to the unique needs of your child and family. Since children are so full of life and vitality, it's often difficult to imagine them coming down with a debilitating disease. Unfortunately, reality tells us severe illnesses are not limited to the adult world. Critical illness insurance is a specialized type of coverage offering financial protection in case of serious life threatening medical conditions such as cancer, a benign brain tumor, Multiple Sclerosis, kidney failure, blindness, deafness, or even severe burns. Should your child be diagnosed with such an illness, critical illness insurance provides a lump sum payment upon diagnosis of the condition. These funds can be of great help should you need to take

time off work to care for your child or pay for expensive medical treatment and special care. Simply put, critical illness equips both parents and children with the financial means they need to cope and overcome illness. Not only will insuring your children save you worrying about their future well-being, it will also save you money. Insurance premiums for youth are generally much lower than those paid by older people as a result of their longer life expectancy. While you may have to pay premiums for a longer period of time, permanent life insurance policies started at a younger age have a longer period of time to accumulate cash values—which may be used to fund premium payments in the future. No one can predict what the future will bring to you and your family; however, this New Year you can be prepared for it. By talking to your Rice Financial advisor about insurance solutions for your children, you can reduce the impact of life's uncertainties. •

## Jump Start Your Savings

As a young person, you've got big dreams—but unfortunately probably not a whole lot of cash to finance them yet. The good news is, with a dedicated, regular savings strategy the lifestyle you want can be yours.

One of the best ways to jump start your savings is to open up a high interest savings account. Just as it sounds, a high interest savings account is simply a savings account with a high interest rate. Ensuring you have a safe and accessible place to put your money, high interest savings accounts generally have a higher interest rate than most traditional savings accounts. As a result, your money grows faster.

An increasingly popular product, high interest savings accounts aren't a replacement for your regular bank account. Instead, high interest savings accounts are designed to be a supplement—intended for money you don't plan to touch for a while. However, as the saying goes "you're only young once," and while setting money aside early on is an important part of achieving your future financial goals, spending some to fulfill a few goals you have in the here and now is also important. That's why high interest savings accounts have built in features offering flexibility, accessibility, and safety.

Since you may not be able to commit to depositing a fixed amount of money each month, high interest savings accounts allow you to invest as much or as little as you want. The important thing is that you keep

contributing. In contrast to mutual funds or stocks, high interest savings accounts offer you the flexibility to coordinate your deposits with other financial obligations and priorities that come up in your life.

In addition to these deposit options, high interest savings accounts also provide options to withdraw your money as you see fit. Although the money put into your account is intended to stay put, there may be a time where you need to take some out. Unlike GICs or savings bonds that can keep your money locked away for months or even several years, your high interest savings account allows you to access your funds anytime you want or need to. It's accessibility at its best.

Finally, as a young person attempting to build wealth, you may desire some security in your investments to ensure what you do have stashed away isn't lost on changeable markets. Although interest rates on your account may fluctuate, you will never lose money. Your principal and interest earned are protected by the Canadian Deposit Insurance Corporation (CDIC) up to \$100,000 per Canadian Chartered Bank (conditions may apply). Here, high interest savings accounts provide young investors with a safe place to grow their savings without having to worry about market risk.

Now is the perfect time to start saving for the lifestyle you want. Investing in a high interest savings account is a good first step toward achieving financial freedom. •