



CESTNICK

TAX MATTERS

Make smart RESP withdrawals to maximize the financial benefits

SPECIAL TO THE GLOBE AND MAIL
PUBLISHED JUNE 24, 2026

According to comedian Andy Samberg, when you graduate from college or university “it’s “the first day of the last day of your life – no, that’s wrong. It’s the last day of the first day of school. No, that’s worse. Uh – it’s a day.”

It also represents the day when you realize that thousands of tuition dollars just bought you a caffeine addiction, an ability to nap anywhere, a really nice hoodie – and hopefully a leg-up in launching a successful career.

Now, if you’re a parent or grandparent who has saved for a child’s education, you’ve likely used a registered education savings plan (RESP). As we near September when students will be heading to school, I want to talk about strategies for withdrawing funds from an RESP.

Types of withdrawals

There are really five types of withdrawals that can be made from an RESP: (1) withdrawals of your original contributions – called a refund of payments (ROP), (2) withdrawals of the government grants and accumulated

earnings in the plan – called educational assistance payments (EAPs), (3) withdrawals of accumulated earnings in the plan by you, the subscriber (the person contributing to the plan) – called accumulated income payments (AIPs), (4) repayment of grants made to the plan (which is required under certain circumstances), and (5) transfers from one RESP to another.

The first two types of withdrawals are the most common. The first – an ROP – is a tax-free payment out of the RESP. The second is an EAP and is taxable to the student when withdrawn from the plan. AIPs are subject to tax plus a 20-per cent penalty (you can instead transfer RESP funds to your RRSP within your RRSP limits and avoid the tax and penalty). If no beneficiary attends postsecondary school, or a beneficiary is not resident in Canada for tax purposes, then any government grants need to be repaid. Finally, transfers from one RESP to another can generally take place tax-free.

Tim Cestnick: The right education savings strategy can pay for any degree

Timing of withdrawals

When you make RESP withdrawals, you can designate what type of withdrawal it is (an EAP or ROP, for example). Think about these strategies for your RESP withdrawals:

Consider early EAP withdrawals. Since EAPs are taxable you'll want to make these withdrawals when the student's income is lowest. This is likely going to be in the early years of their education. If the student, for example, will be entering a co-op or internship program in their second year, and will be earning increasingly more money each year, it could make sense to make EAP withdrawals before that time. Just be mindful of the \$8,000 EAP withdrawal limit for the first 13 weeks of full-time postsecondary education. After that, there's no limit.

Think about ROP withdrawals later. Some people delay withdrawals to ensure there's sufficient funding for later years. You're best to spread withdrawals over the student's years at school, generally making EAPs earlier. What if your child ends up dropping out earlier than expected? You may not be able to withdraw the EAPs without the requirement to repay the grants. Or what if your child earns more taxable income – including fellowships or other awards – in later years? This could mean more tax on the EAPs. Withdrawing EAPs earlier and tax-free ROPs later often make sense.

Be prepared to substantiate costs. The taxman doesn't generally audit how you've spent withdrawals from an RESP. But the CRA may request a list of expenses to determine the reasonableness of large EAP withdrawals (generally above \$20,000) in a particular year. Keep evidence of

tuition, housing, food, transportation, books, and other costs – just in case.

Postpone withdrawals in some cases. If no beneficiary of the RESP is going to postsecondary school, don't rush to make withdrawals or collapse the plan – which can trigger penalties or the requirement to repay grants. An RESP can have a life span of up to 35 years (40 years for beneficiaries with a disability) from the date the account is opened. So, if it's possible that a beneficiary might choose to attend school in the future, the RESP could be useful later.

Use tax deductions and credits. A student may be entitled to claim certain tax deductions like childcare, moving costs, or tradesperson tools, or certain credits like the basic personal amount, tuition, student loan interest, disability tax credit, Canada employment amount, and the Canada worker's benefit. Making taxable EAP withdrawals sufficient to use up these deductions and credits can make sense.

Use the six-month grace period. If a student drops out of a qualifying educational program, our tax law allows EAPs to be withdrawn in the subsequent six-month period and still have the withdrawal count as an EAP (with no requirement to pay penalties or repay grants). Use this grace period if necessary.

Be smart about RESP withdrawals and you can save meaningful tax dollars.

Tim Cestnick, FCPA, FCA, CPA(IL), CFP, TEP, is an author, and co-founder and CEO of Our Family Office Inc. He can be reached at tim@ourfamilyoffice.ca