



RRSP Lifelong Learning Plan

Using RRSP Funds For Continuing Education

The Lifelong Learning Plan (“LLP”) allows individuals to borrow from their RRSP in order to finance continuing education or training for **themselves or their spouse**. As long as the correct forms are completed and the student meets the necessary conditions, there will be no immediate tax consequences.

An LLP maximum of \$20,000 can be withdrawn from an individual’s RRSP under the Lifelong Learning Plan. There is also an **annual maximum** withdrawal limit of **\$10,000**.

Withdrawals are permitted annually for four years, provided that the student meets the necessary conditions in each of those years, with the last eligible withdrawal being made no later than January of the fourth year after the first withdrawal.

The money borrowed from the RRSP **must be repaid over a 10-year period** commencing the earlier of;

- The second year after the student ceases to be enrolled full-time, or
- The fifth year after the first withdrawal from the Plan.

In order to withdraw funds under the Lifelong Learning Plan, the student must meet certain conditions. He/she must enroll in a qualifying educational program at a designated educational institution on a full-time basis. Further discussion of these conditions is provided below, under Qualifying Education. Basically, the program must be a **full-time program** lasting for at least **13 consecutive weeks**, at a college, university or other qualifying educational institution.

Amounts withdrawn from your RRSP under the Lifelong Learning Plan can be used for personal living expenses, in addition to tuition fees and book costs, during the period you or your spouse are pursuing qualifying education.

Each individual is treated separately with respect to withdrawals, even if they are contributing to the same student’s education. Therefore **a couple could withdraw up to \$20,000 each** for a total of \$40,000, **towards one of them** continuing their education on a full-time basis. The annual limit of \$10,000 also applies to each of them, so that combined; they may only withdraw a maximum of \$20,000 in any one year.

Under the Income Tax Act, a spouse includes a common-law partner. This is defined to mean a person with whom you have been living with **and** having a conjugal relationship with continuously for 12 months. (This applies to both opposite sex and same sex couples.) The 12-month period criterion is ignored if you have a child together.

Although there is no income tax withheld on the withdrawal, you may be penalized for withdrawing funds from certain investments prior to their maturity date (i.e., GICs). You should carefully review the maturity dates of your RRSPs and determine if there are penalties involved.

You may participate in the Plan more than once in your lifetime. Any balance outstanding under your previous participation must first be entirely repaid prior to beginning a new Plan.



Limitations on Ordinary RRSP Contributions

If you withdraw funds under the Lifelong Learning Plan you will not be able to deduct any ordinary RRSP contributions made within 90 days before the withdrawal **to the extent that the contribution is greater than your RRSP balance after the withdrawal.**

The same rules will apply to funds your spouse contributes to a spousal RRSP plan. This rule appears to operate on a plan-by-plan basis, so make sure you withdraw first from plans with no current contributions.

The denial of a deduction for an RRSP contribution only applies to “ordinary” contributions. The Lifelong Learning Plan will not affect amounts that qualify under special “rollover” rules.

Qualifying Education

The student (being yourself or your spouse) must enroll in a full-time qualifying educational program at a designated educational institution before March of the year following your first LLP withdrawal.



A qualifying educational program must last for at least thirteen consecutive weeks **and** requires that the student spend at least 10 hours per week on courses or program work at a post-secondary level. This does **not** include study time.

A designated educational institution is a college, university or other educational institution that qualifies for purposes of claiming a tax credit for tuition fees. This includes most Canadian universities, colleges and other educational institutions, as well as foreign universities provided the student was enrolled in a course lasting not less than 13 consecutive weeks. (As there are very specific criteria for qualifying
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institutions, professional advice should be sought in this regard.)

The student must be enrolled on a full-time basis. This determination is made by the individual educational institution and is indicated on the student’s annual T2202A – Tuition and Education Amounts Certificate (or T2202 – Education Amount Certificate for foreign universities). This certificate will indicate if the student has been in full-time or part-time enrollment.

There is an exception to the full-time enrollment condition if the student is disabled and is entitled to claim a Disability Tax Credit for tax purposes. In this case the student may be enrolled part-time and his/her course time may be less than 10 hours per week.

If the student has not enrolled in a full-time qualifying educational program at a designated educational institution before March of the year following the first withdrawal, participation in the Plan must be cancelled and the withdrawal must be repaid. See below for further information on Cancellation of the Plan.

Repaying Your Withdrawals to an RRSP

You must repay the money withdrawn from your RRSP over a 10-year period beginning no later than 60 days after the earlier of:

- the second year after the last year the student is eligible to claim a full-time education amount on his/her tax return, or
- the fifth year after the first withdrawal from the Plan.



You do not have to repay the funds to the same RRSP issuer as you originally withdrew from. You may make a qualifying repayment by contributing to any RRSP of which you are the annuitant. Repayments cannot be made to a spousal RRSP.

RRSP contributions intended as repayments are not designated as such when they are made, but rather designated on your income tax return for the year to which the repayment relates.

Repayments applied to a specific year may be made in the calendar year or within the first 60 days of the following year.

Repayments are not deductible from income, since they represent repayments of amounts borrowed from the plan (which were entitled to a deduction when originally made).

Repayments have no effect on your current RRSP contribution limits, so that if you have sufficient funds on hand you can make both your regular RRSP contribution and your repayment under the Lifelong Learning Plan.

To the extent that you do not make a repayment in a particular year, the deficient amount will be added to your income and taxed accordingly.

If You Turn 72 and Have an Outstanding Balance Under the Lifelong Learning Plan



After the year you turn 71, you are no longer eligible to contribute to an RRSP and therefore you will not be able to make any further repayments under the Plan.

You may choose to repay the entire balance in the year you turn 71, or you can merely include in each subsequent year's income the required repayment for that year.

If You Become a Non-Resident of Canada

If you have withdrawn funds from your RRSP under the Lifelong Learning Plan and become a non-resident **before the end of the year in which you made the**

withdrawal, you must cancel your participation in the Plan by repaying your RRSP. See below for further information on Cancellation of the Plan. The due date for the repayment is the earlier of the due date of your Canadian income tax return for that year and December 31st of the year following the withdrawal.

If you have withdrawn funds from an RRSP under the Lifelong Learning Plan and become a non-resident **after the year you made the withdrawal**, you must repay the entire amount within 60 days of becoming a non-resident. To the extent that you do not make the repayment within 60 days, the entire balance will be included in your income for the period you were resident in Canada.

If You Die

If you have withdrawn funds from an RRSP under the Lifelong Learning and you die with an outstanding balance of repayments due to your RRSP, the outstanding balance is included in your income for that year.

Your surviving spouse may elect jointly with the legal representative of your estate to treat the outstanding balance as that of your spouse, in addition to any outstanding balance he or she may have and regardless of the usual \$20,000 per person limit.

If the above election is made and no repayment has been made in the year you die, there is no requirement to make such a payment for that particular year.

Cancellation of the Plan

You will be permitted to cancel your participation in the Plan in only three situations:



- the student was not enrolled in a qualifying educational program before March of the year following the year you made the LLP withdrawal; or

- the student leaves the program before the end of April of the year following the year you made the LLP withdrawal, **and** 75% or more of the student's tuition was refunded; or
- you become a non-resident in the year in which you made the LLP withdrawal.

In canceling your participation, you must repay the money you had withdrawn. This cancellation payment is due no later than December 31st of the year following your withdrawal.

A payment of the full amount is simply made to an RRSP of which you are an annuitant.



The receipt you obtain from your financial institution for your contribution must be forwarded along with a Cancellation Form to the tax authorities.

You cannot cancel your participation in the Plan if the student did not meet the original educational qualifications when the withdrawal was made. In this case, you are deemed to have never been participating in the plan, and the withdrawn amount will be included in income for tax purposes for that year.

Summary

You must comply with **all** of the following rules to make a withdrawal that qualifies under the Lifelong Learning Plan:

1. You must be a Canadian resident and under the age 72.
2. Either you or your spouse must be enrolled a full-time educational program at a designated educational institution before March of the year following the withdrawal from your RRSP.
3. The qualifying program must last for at least thirteen consecutive weeks and require at least 10 hours per week of course time.
4. You must withdraw the funds using form RC96, which requires you to identify the student and his/her relationship to you, and determines if the proposed educational program will qualify.
5. You must not have an outstanding balance from previous participation in the Lifelong Learning Plan.
6. The amount withdrawn under the Lifelong Learning Plan must not exceed \$10,000 per individual in any one year, and the total withdrawals under the Plan must not exceed \$20,000 per individual.
7. The last eligible withdrawal under the Plan must be made no later than January of the fourth year after the year of the first withdrawal or the last year of full-time enrollment in a qualifying program.

If you make a withdrawal from your RRSP that does not comply with all of the rules listed above, the amount will be added to your income for that year and taxed accordingly.



This document is general in nature and should not be relied upon to replace specific professional advice.