

WHO CAN HELP YOU DESIGN
THEIR FUTURE?



A PARTNER YOU CAN TRUST.



Advantages of a Diploma RESP:

- › Accumulate the necessary funds to finance a child's post-secondary education.
- › Eligible for a government grant equal to 20% of your annual contributions to the RESP (up to \$500 per year).
- › An education bonus of up to 15% of the contributions to the RESP will increase the income paid as Educational Assistance Payments (EAPs).
- › The chance to watch your money grow sheltered from tax.
- › Flexibility to change the plan's beneficiary.
- › Withdrawals of contributions are tax-free.
- › The investment income is transferable to your RRSP if the child chooses not to pursue a post-secondary education.



Now I can design my future.

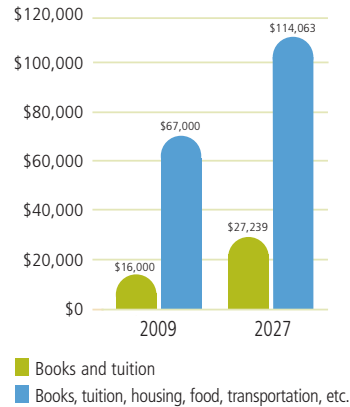
It is easy to imagine your child, degree in hand, ready to start a professional career. But do you ever ask yourself how you will be able to give your child this chance with all the financial demands of today's world?

Giving their children access to a post-secondary education is something parents hope to be able to do. Unless you decide to take out a loan, it may be difficult to find the money needed to pay for a 4-year educational program for just one child. Statistics Canada revealed that university tuition fees have risen 135%* in the past ten years!

How high will tuition costs be in 5, 10 or even 15 years?

Projections indicate that in 2027 it will cost more than \$114,063 for a 4-year university program for a student living away from home.

Cost of a university education over 4 years**



- * Canadian average
- ** Projection based on a 3% inflation rate per year

Source: Statistics Canada

Will my children go to university?

It used to be that a post-secondary education was a choice. Now it seems to have become a necessity to ensure a place in today's job market.

Furthermore, the job market of the future also requires more training and education. More and more employers are hiring specialized personnel. According to some Canadian studies, 2 out of 3 jobs now require a post-secondary diploma. How can we hope to provide our children with the opportunity for a higher education?

Start investing in their future now!

Given the cost of a post-secondary education, it's better to start saving early. Regular contributions are also a great way to achieve your objectives. Regardless of the child's age, it's never too late to invest in their future.

The Diploma RESP will help you build a promising future for your loved ones today!

What is a registered education savings plan?

A registered education savings plan, commonly referred to as an RESP, is the best financial vehicle to help you save for a beneficiary's post-secondary education. Just like an RRSP, the federal government allows you to accumulate investment income on a tax-sheltered basis until the funds are withdrawn from the plan. In short, RESPs are to education what RRSPs are to retirement!

A post-secondary education is a necessity in today's world.

Can you subscribe to the Diploma RESP?

Anyone with an interest in the future of someone close to them can subscribe to an individual Diploma RESP plan, whether it be the parents, grandparents, godfather, godmother, uncle, aunt, or even a friend. The plan subscriber, whether a resident of Canada or not, is the person who signs the contract, and makes contributions to the plan. A co-subscriber can also take part in the plan.

Who can be designated as a beneficiary of an RESP?

The Diploma RESP is a very flexible plan. You can appoint anyone you wish as the plan beneficiary: your child, grandchild, nephew, niece, etc. There are no restrictions on the beneficiary's relationship to you. However, the beneficiary you appoint must be age 14 or under.

A child may be designated as the beneficiary¹ of more than one RESP by different subscribers. For example, a parent and a grandparent can both subscribe to separate RESPs for the same child. However, they must be sure to remain within the maximum contribution limits allowed for one beneficiary.

The flexibility of our plan allows you to change beneficiaries once the plan has been established. The monthly payments continue until the end of the original commitment period regardless of the age of the new beneficiary. A written notice of the beneficiary change is required, accompanied by the new beneficiary's Social Insurance Number.

¹When a beneficiary already has an RESP, certain rules have to be respected to avoid making overcontributions.





How much can you save?

Contributions to the Diploma RESP are made through monthly payments of as little as \$25 a month, until December 31 of the year in which the beneficiary designated in the plan at issue reaches 17 years of age. Additional lump-sum contributions (minimum: \$100) and increases to the contribution amount can be made at any time. Note that the contributions made as a subscriber are not deductible from your taxable income, and therefore will not be taxable upon withdrawal.

Make the maximum contribution every year with an RESP loan.

ASK US ABOUT IT!

The cumulative contribution limit is \$50,000 per beneficiary. This means that a parent and a grandparent, for example, can both subscribe to separate RESPs for the same beneficiary. By making sure they do not exceed the total allowable maximum, they avoid paying penalty taxes.

Contributions can be made to the plan for 31 years from the effective date of the plan and the RESP must be fully liquidated no later than 35 years after it is set up.

Increase your savings with the Canada Education Savings Grant



In January 1998, the federal government created the Canada Education Savings Grant (CESG) program. This program is primarily intended to encourage parents to save for their children's post-secondary education.

The CESG provides an extra 20% on top of the annual contributions paid into the plan, up to \$500 per year per beneficiary. There is a lifetime limit of \$7,200 per beneficiary.

On January 1, 2005, the government enhanced the program for low-income families. Hence, the Grant can total up to 40% of the first \$500 of contributions. An education bonus can also be paid to children born on or after January 1, 2004 and the allowable maximum over a 15-year period is \$2,000.

The CESG accumulates on a tax-sheltered basis in the RESP and becomes part of the Educational Assistance Payments (EAP) made to the beneficiary when he/she goes on to pursue post-secondary studies. Furthermore, the contribution limit is not affected by the CESG.

How do I obtain the CESG?

- › The CESG is paid directly into the beneficiary's education savings plan. We submit the application for you.
- › In order to be eligible for the CESG, the designated beneficiary must have a Social Insurance Number, and must be a resident of Canada.
- › The CESG is available for children age 17 and under. For beneficiaries who are 16 or 17 years of age, there are conditions that must be satisfied for the CESG to be paid. Please contact your financial advisor for more details.



Is it possible to carry over the CESG?

If no contributions are made for a given year, or if the contributions made are lower than the amount required for the maximum CESG (\$500), the unused portion of the CESG is automatically carried over to subsequent years for as long as the beneficiary remains eligible. However, the total annual CESG may not exceed \$1000 per beneficiary.

Example

This year, you invest \$1,000 in David's RESP. A CESG of \$200, i.e., 20% of your total contribution, is paid directly into the RESP. The CESG carry over is \$300 (i.e. this year's CESG entitlement of \$500, less the \$200 CESG received).

Next year, the total CESG entitlement is \$800 (\$500 for the current year's CESG entitlement plus \$300 carried over from the previous year). Therefore, a \$4,000 contribution will generate an \$800 CESG payment into David's plan.

Your CESG is retroactive to January 1, 1998.

Don't forget to verify the number of years for which your child was eligible!

Diploma education bonus: A well-deserved reward for your efforts

To reward the efforts you've made to ensure your child's future, we will pay an education bonus into the plan once your monthly deposit commitment is fulfilled.

This bonus can reach up to 15% of the total monthly payments made and is based on the beneficiary's age when the plan was created. This bonus will be added to the amounts accumulated in the plan and will be paid as an Educational Assistance Payment (EAP). The earlier you invest, the more you save and the higher your Diploma education bonus will be.



Indispensable benefits

Why should you include additional benefits in your Diploma RESP?

By subscribing to the Diploma RESP, you are making a commitment: that of creating an education fund that will allow a child to pursue a post-secondary education.

This commitment entitles you to an education bonus that can reach as high as 15% of your monthly contributions to the plan.

Furthermore, to help you respect your commitment and achieve your savings objective, two additional benefits are being offered with the RESP in order to help you ensure the continuity of your contributions in case of death or disability.

- › Contribution in the event of the insured's death (subscriber) (CIDE)
- › Contribution in the event of the insured's disability (subscriber) (CID)

These benefits give you the assurance that in the event of death or disability, the Company will continue to make monthly contributions on your behalf to fulfil your commitment.

The inclusion of these benefits also ensures the continuity of CESG payments into your plan in the event of death or

disability, as well as eligibility for the education bonus once your commitment has been fulfilled.

So, thanks to these two benefits and for just a few dollars a month, you can enjoy peace of mind in knowing that your children will be able to pursue a post-secondary education, no matter what!

Quebec Education Savings Incentive (QESI)

- › The Quebec government offers beneficiaries who are residents of Quebec a 10% tax credit on the first \$2,500 in annual contributions per beneficiary. Depending on family income, the first \$500 of contributions can also entitle the beneficiary to an additional credit of up to 10%.
- › The maximum per beneficiary is \$3,600.

Alberta Centennial Education Savings Plan (ACES)

- › When the conditions are respected, the Alberta government offers residents of this province an initial grant of \$500 and three subsequent grants of \$100 (at age 8, 11 and 14).

Investment vehicle of the future: the Diploma RESP

When you're investing in something as important as your child's education, the growth and security of your capital are essential to ensuring a promising future. With this in mind, the Diploma RESP will meet your financial objectives for the day your child's post-secondary education begins.

The Diploma RESP offers you:

- › A diversified investment whose assets are partially invested in the Diploma Elementary fund and the Diploma Secondary fund, depending on the beneficiary's age. Each fund's performance is related to the return of assets composed of money market securities, fixed income securities, Canadian equity and investments in U.S. and international stock market indices.

Age	0 to 12	13	14	15	16	17
Diploma Elementary	100%	80%	60%	40%	20%	0%
Diploma Secondary	0%	20%	40%	60%	80%	100%

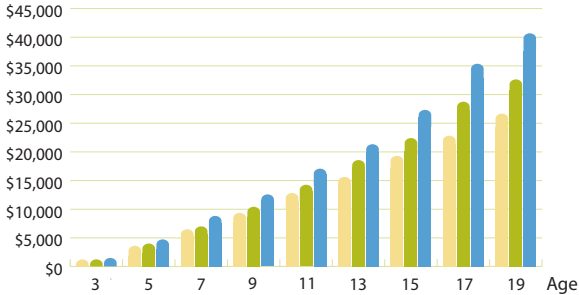
- › A guarantee on investment funds that can reach and even exceed 100% of the invested capital.



Why choose the Diploma RESP as an investment tool?

The table below shows the advantage of choosing the Diploma RESP as an investment vehicle, as compared to a non-registered savings plan.

The advantage of combining the CESG with an RESP and an education bonus



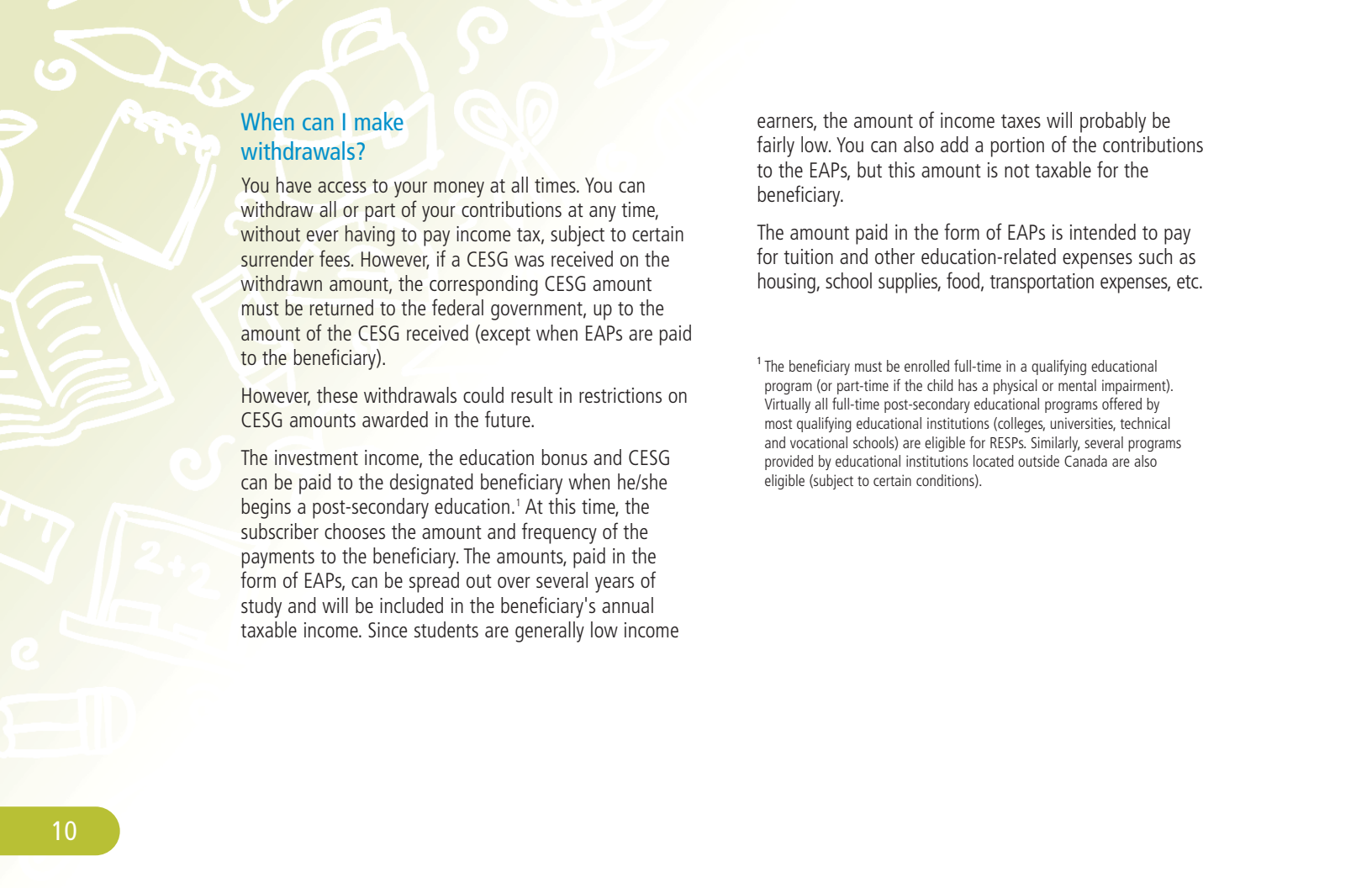
- Non-registered investment
- RESP
- RESP + CESG + education bonus*

*The education bonus is paid on December 31 of the year in which the beneficiary turns 17.

Sample case:

You want to invest for your two-year-old son David's post-secondary education. Thanks to the additional 20% in CESGs generated on monthly RESP contributions of \$100 for 17 years, the education bonus paid by the Company and the growth of tax-sheltered investments, you will accumulate a total of \$41,804 in your RESP by the time he turns 18. The same amount invested in a non-registered plan (no CESGs and no education bonus) is \$26,897, considering a 40% annual taxation rate. The calculations are based on a 5% annual compound rate of return.

A post-secondary education is a necessity in today's world.



When can I make withdrawals?

You have access to your money at all times. You can withdraw all or part of your contributions at any time, without ever having to pay income tax, subject to certain surrender fees. However, if a CESG was received on the withdrawn amount, the corresponding CESG amount must be returned to the federal government, up to the amount of the CESG received (except when EAPs are paid to the beneficiary).

However, these withdrawals could result in restrictions on CESG amounts awarded in the future.

The investment income, the education bonus and CESG can be paid to the designated beneficiary when he/she begins a post-secondary education.¹ At this time, the subscriber chooses the amount and frequency of the payments to the beneficiary. The amounts, paid in the form of EAPs, can be spread out over several years of study and will be included in the beneficiary's annual taxable income. Since students are generally low income

earners, the amount of income taxes will probably be fairly low. You can also add a portion of the contributions to the EAPs, but this amount is not taxable for the beneficiary.

The amount paid in the form of EAPs is intended to pay for tuition and other education-related expenses such as housing, school supplies, food, transportation expenses, etc.

¹ The beneficiary must be enrolled full-time in a qualifying educational program (or part-time if the child has a physical or mental impairment). Virtually all full-time post-secondary educational programs offered by most qualifying educational institutions (colleges, universities, technical and vocational schools) are eligible for RESPs. Similarly, several programs provided by educational institutions located outside Canada are also eligible (subject to certain conditions).

What happens if the beneficiary does not pursue a post-secondary education?



The Diploma RESP offers you several options if the designated beneficiary does not pursue a post-secondary education.

1 Designate a new beneficiary

You may choose to designate a new beneficiary. New contributions may be made for the time remaining in the plan, as long as the original commitment is respected. However, to maintain the previous CESGs, the new beneficiary must meet one of the following conditions:


- › The new beneficiary must be under 31 years of age and be the brother or sister of the former beneficiary; or
- › Both beneficiaries (former and new) are related by blood or adoption to the subscriber. (The old and the new beneficiary must be under 31 years of age).

2 Transfer the accumulated investment income to your RRSP

You can make withdrawals from the plan tax-free. The investment income earned on the contributions and the CESG can be transferred to your RRSP or to a spousal RRSP (also tax-free), provided that you meet the following conditions:

- › You have unused RRSP contribution room.
- › You are a resident of Canada.
- › The RESP has existed for at least ten years.
- › The plan's designated beneficiary is 21 or older and is not eligible to receive Educational Assistance Payments (EAPs).

\$50,000 is the maximum amount that can be transferred. Because no payments are made to the beneficiary, the CESG must be returned to the federal government and the education bonus will be returned to the Company.



3 Withdraw the accumulated income

If your RRSP contribution room is not sufficient to accommodate the transfer of investment income from the RESP, you are required to withdraw this money no later than the end of February in the year following termination of the plan. This investment income will be reported as taxable annual income and will also be subject to an additional tax of 20%. You must satisfy the same conditions as those outlined in Point 2 before you can withdraw the investment income accumulated in the RESP.

4 Donate the accumulated income

The accumulated income in an RESP can also be donated to a registered educational institution of the subscriber's choice.



Diploma Investment Funds

Elementary

Manager

Industrial Alliance

Investment Objective

Generate superior returns in the medium- to long-term while lowering risk through diversification in assets and geographic regions.

Allocation*:

- › Fixed-income securities: 40%
- › Canadian Equities: 30%
- › U.S. index investments: 20%
- › International index investments: 10%

Secondary

Manager

Industrial Alliance

Investment Objective

Generate regular returns and a certain capital appreciation. The risk level is reduced through diversification in assets and geographic regions.

Allocation*:

- › Money market funds: 35%
- › Fixed-income securities: 50%
- › Canadian Equities: 7.5%
- › U.S. index investments: 5%
- › International index investments: 2.5%

Advantages

Advantages:

- › Excellent way to take advantage of the high performance potential of stock markets while ensuring capital security.
- › Excellent way to take advantage of international market growth that offers superior return potential.
- › Healthy allocation among asset classes and different geographic regions according to the beneficiary's age.

* The allocation of assets contained in the Diploma RESP relies on a combination of the Diploma Elementary Fund and the Diploma Secondary Fund. The allocation between these two funds is established according to the beneficiary's age.

About Industrial Alliance and Industrial Alliance Pacific

Industrial Alliance and Industrial Alliance Pacific are united in their mission to offer insurance and financial products adapted to each stage in life to provide you with peace of mind.

The fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group which has operations across the country, as well as in the Western United States. The company contributes to the financial wellbeing of over three million Canadians, employs more than 3,300 people, and manages and administers over \$49 billion in assets. Industrial Alliance, whose stock is listed on the Toronto Stock Exchange under the ticker symbol IAG, is among the 100 largest public companies in Canada.

Contact one of our financial advisors for personalized service. They will help you plan a financial future that meets your needs and lifestyle.