

Formative Evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB)

FINAL REPORT ON KEY INFORMANT INTERVIEWS

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EXECUTIVE SUMMARY

Relevance

Interview respondents largely agree that the objective of helping and encouraging low and moderate-income Canadians to save for post-secondary education is both relevant and important. They differ, however, in the extent to which they believe that this objective is realistic. Not all interview respondents (particularly promoters and academics or researchers) believe that low-income Canadians have the financial means and/or financial knowledge to be in a position to save for post-secondary education.

Program managers believe that the A-CESG and CLB are consistent with federal priorities. In particular, the program is seen to support federal government efforts to increase the participation of Canadians in post-secondary education (in that participation is presently linked to income). Interview respondents also generally agree that the A-CESG and CLB are relevant tools to achieve the objective of encouraging low and moderate-income Canadians to save for post-secondary education, and are clearly targeted to this audience. The CLB is seen to offer the initial incentive to open an RESP, and A-CESG a further incentive to save. Some (particularly promoters and academics or researchers) perceive the CLB to be the more promising approach or tool for the low-income audience, given that there is no investment requirement.

Barriers to Participation

Despite the fact that these tools are perceived to be relevant and targeted to the desired audience, interview respondents acknowledge the existence of barriers acting as obstacles to take-up. Key barriers to subscription identified include:

- Lack of awareness of the program;
- > Delivery by financial promoters, profit-based organizations for whom low-income Canadians are not a target audience;
- Lack of financial means to save for PSE among low and moderate-income Canadians;
- Low levels of financial knowledge and literacy within the target audience, who do not necessarily frequent financial institutions, understand financial products such as RESPs, or understand concepts such as compound interest;
- Complexity of the program (e.g., steps to enroll, forms to complete) and RESPs (e.g., what they are, how they work, financial concepts involved) for low and moderate income Canadians;

- That many Canadians lack the mindset or capacity for the long-term planning required to save for a child's PSE;
- Misperceptions of the program such as the requirement for a minimum investment (which is a reality rather than misperception with some promoters), or that the investment is lost if the child does not attend PSE:
- Lack of expectations of PSE attendance among some low and moderate-income families; and
- Expectations of government financial assistance for attendance at PSE (through grants and loans) and the possible perception that saving will reduce government financial support during attendance.

Design

Interview respondents vary in terms of their opinion as to the sufficiency of the current size or amounts of the A-CESG and CLB. Some (across all respondent types) feel that current amounts are sufficient and take the stance that "every bit helps". Others feel that current amounts are insufficient, but offer varying reasons for this opinion. Some say that the current amounts are insufficient in light of the cost of a PSE, while others feel that the amounts are insufficient in light of barriers to participation identified. Furthermore, a small number of interview respondents suggest that it is the initial amount offered (by the CLB) which is most critical in terms of inciting participation, and which is merits the greatest consideration.

In terms of the practical design and enrolment for these two products, many interview respondents are of the opinion that the current design is too complex, and may act as a deterrent to take-up. The number of steps and decisions required to enroll, the forms and paper-work to complete, and the complexity of these forms are all perceived to be demanding for the target audience in question. Furthermore, financial promoters themselves express concerns with the burden of administration involved in this program, which presents a deterrent to promotion. In fact, many promoters appear to have instituted minimum investment amounts or administration fees to recoup costs associated with the administration of the program (presenting a further deterrent for the low and moderate-income target audience).

Partnerships

The A-CESG and CLB are being delivered in close partnership between HRSDC and financial promoters, as well as in partnership between HRSDC and CRA. These partnerships are seen to be effective by interview respondents, although not entirely without weaknesses. HRSDC does not necessarily have stringent control over delivery by financial promoters (some of which have introduced administrative fees or minimum investment amounts). Furthermore, promoters are not necessarily given sufficient time or information to react to program changes.

In terms of internal governance structure, the program is seen to be young, evolving and growing, and facing normal developmental challenges. Commitment to service and continuous improvement is seen to be a strong emphasis within the program.

Other partnerships undertaken by the program include a pilot project with Service Canada, and partnerships with provincial governments in Quebec and Alberta. Furthermore, the program is exploring additional partnerships with organizations which reach low and moderate-income Canadians.

Training

A CESP training program is offered to staff, stakeholders and financial promoters registered to sell CESP products. Financial promoters are provided train-the-trainer training, whereby one or a few representatives receive training with the expectation that this training will then be provided internally to all promoter staff. Program managers express concern as to whether this occurs in reality, based on apparent inconsistencies in the knowledge of promoter front-line staff. Potential changes to training (e.g., mandatory training, on-line training) are being explored to address this situation.

Not all promoters interviewed have in fact received this training. Those that have express a high level of satisfaction with the training received.

Performance Measurement

The program is collecting data on an ongoing basis based on a series of performance indicators, with both public and internal reports issued on a regular basis. Program managers note that while the information collected is good, performance measurement is limited by legacy systems, and that there is room for improvement. Improvements are suggested to the data collected (to collect more detailed information); to the analysis (to allow greater flexibility in inquiry); and to the use of information internally by managers.

Awareness

As noted in reference to barriers to subscription, public awareness of the A-CESG and CLB is thought to be low. In addition to awareness, understanding of these programs and how they work is thought to be weak among low and moderate income Canadians; a situation further compounded by the limited financial knowledge or literacy of this audience. Financial promoters themselves acknowledge that they are doing little to promote these products, given that low and moderate income Canadians are not an important target audience for them. Many interview respondents identify a need for action on behalf of the federal government to increase awareness and understanding.

Service

Promoters varied in their assessment of the level of satisfaction of customers with the service they receive from them. Many feel confident that customer satisfaction is high, while others feel that client satisfaction sometimes suffers as a result of the complexity of the application process, high rejection rate, and the sometimes limited information available as to the reasons for rejection (due to privacy regulations).

Financial promoters, however, report a high level of satisfaction with the service and information they receive from HRSDC. This satisfaction is furthermore evidenced from research conducted by the program. The only frustrations experienced relate to occasional inconsistencies in information between CRA and HRSDC; being bounced back and forth between CRA and HRSDC in looking for answers; or in delays in obtaining information concerning changes.

Potential Changes and Improvements

Interview respondents identify potential changes or improvements to the A-CESG and CLB to overcome barriers to subscription, increase take-up and generally strengthen the program. These include:

- Improve the program's reach to low and moderate-income Canadians through new partnerships with organizations already providing information, assistance and programs to this audience (e.g., to low-income Canadians, new Canadians, and Aboriginal Canadians).
- Simplifications to the program a variety of suggestions are provided which relate to simplifying the program, the steps to enroll, the forms or paperwork involved, or offering a simple RESP for those with little financial knowledge or experience. Some managers also see automatic enrolment as a potential method to simplify enrolment and increase participation among low-income Canadians.
- > Public education to increase the financial literacy of Canadians.
- Communications and promotion to promote PSE, the value of a PSE, as well as communicating information relating to the cost of PSE and the value of saving early.
- Improving awareness of the CESP, A-CESG and CLB among Canadians, as well as increasing understanding of CESP products, how they work, and dispelling misperceptions.
- Increase control over promotion by increasing expectations of financial promoters, and placing greater restrictions (to eliminate service fees, minimum investment requirements).

1. Introduction

1.1 THE CANADA EDUCATION SAVING PROGRAM

In January 1998, the Federal Government introduced the Canada Education Savings Grant (CESG) program, the immediate objective of which is to encourage Canadians to make contributions to Registered Education Savings Plans (RESPs) for the future post-secondary education (PSE) of children. The CESG is administered by Human Resources and Social Development Canada (HRDSC), which is responsible for increasing the participation of Canadians in post-secondary education (PSE), literacy and adult and lifelong learning opportunities, especially in low- to middle-income families.

A formative evaluation of the CESG was completed in April of 2003. This evaluation found that the CESG was successful in encouraging adults to save for the PSE of children, but also discovered that participation in the program was significantly lower among lower-income families and that participation increased with income levels. As a response to the finding of low participation on the part of lower-income families, modifications to the CESG were announced in October of 2004. At that time, the Canada Learning Bond (CLB) was also introduced. The CESG was enhanced so that for low-income families, a 40 per cent grant is paid on the first \$500 paid into an RESP; and for middle-income families, the grant is 30 per cent. This is known as the "Additional" CESG (A-CESG).

The government provides a grant of 20 per cent on the first \$2,000 of annual contributions made to the RESP for children up to age 18 (the maximum allowable annual RESP contribution is \$4,000). The maximum grant is \$400 per child per year. If the contributor of the grant cannot contribute to the RESP in one given year and carries forward the unused portion of the CESG, the grant could be as much as \$800 (based on a maximum annual contribution of \$4,000). Therefore, the grant can be as much as \$400 each year per beneficiary based on an annual contribution of \$2,000, and over the years could amount to a maximum total of \$7,200 (\$400 times 18 years). Only contributions made on or after January 1, 1998 are eligible for the grant. Money cannot be withdrawn from an RESP that was opened before 1998 and recontributed to the same or another RESP to obtain the grant.

The A-CESG provides an additional grant to low and middle income families. As of January 1, 2005, the CESG rate increased on the first \$500 contributed to a RESP for eligible beneficiaries depending on net family income. Low-income families receive an additional 20 per cent on the first \$500 contributed (for a total of 40 per cent), while middle-income families receive an additional 10 per cent (for 30 per cent). The *Canada Savings Education Act* requires that the income brackets established for A-CESG purposes be indexed yearly based on inflation. For 2007, the A-CESG rate is 20 per cent when net family income is \$37,178 or less, and 10 per cent when the net family income is more than \$37,178 but less than \$74,357. The basic essence of the A-CESG is that it allows individuals to reach the \$7,200 lifetime CESG limit earlier

or without having to contribute as much. However, unlike the basic CESG, an individual cannot carry forward unused A-CESG.

The Canada Learning Bond (CLB) is a Government of Canada grant to help modest-income families start saving for their child's PSE. A CLB is paid by HRDSC directly into the RESP of a child who is a named as the beneficiary and whose parent or guardian is eligible to receive the National Child Benefit Supplement (NCBS). This supplement is generally for families with a net annual income below \$37,178 (for 2007, the same income bracket eligible for an additional 20 per cent on the CESG through the A-CESG). For families who qualify, the Government will add to a child's RESP by making a first payment of \$500. Families that receive the CLB will also get extra payments of \$100 a year for up to 15 years, as long as they receive the NCBS. The total CLB available for a child could amount to \$2,000. As soon as the beneficiary is enrolled in a qualifying educational program, he or she can start receiving money. At that time, the CLB, along with the CESG and income earned by the money in the RESP, is paid to the beneficiary as Educational Assistance Payments (EAPs). Each EAP includes a specific amount of the CLB. If the child named in an RESP does not PSE, the CLB must be returned to the Government of Canada. The CLB cannot be used by another child.

The CESG is paid directly into an RESP, a registered education savings plan that permits savings to grow tax-free until the beneficiary goes full-time to a PSE institution. For the CESG to be paid, the RESP must comply with tax rules set out in the *Income Tax Act*, with the Canada Revenue Agency administering the tax provisions under the Act. When the beneficiary is about to enter a community college, university or technical/vocational college, he or she can make use of the RESP and the grant. Upon proof of registration to an eligible PSE program, the accumulated investment income on the subscriber's RESP contributions and the grant, together with the grant itself, will be paid to a student (the beneficiary) as an EAP. The EAP is taxable in the beneficiary's hands. However, a student typically has little or no other income at this point in the life cycle, which means that he or she pays little or no tax on these payments. There are no restrictions governing the age at which a beneficiary begins receiving EAPs. However, the RESP must be terminated by the end of its 26th year. At this time as well, the contributions are returned to the subscriber tax-free.

The procedure in applying for and receiving the grant payments is as follows. The subscriber selects a promoter or trustee of the RESP and signs a contract. The promoter then helps the subscriber in applying for a grant. Following acceptance, the subscriber makes contributions to the RESP on behalf of the named eligible beneficiary or beneficiaries. The promoter notifies HRSDC of the contributions and HRSDC processes the request and submits the appropriate amount to the promoter on behalf of the beneficiary. The promoter then deposits the grant into the subscriber's RESP account.

The promoter of an RESP can be any person or organization offering an RESP to the public, such as banks and trust companies. The subscriber must be a person (and not an organization, corporation or trust) entering into an RESP contract with the promoter or trustee. Under the terms of the RESP contract, the subscriber agrees to contribute to the contract on behalf of an individual named under the plan as the

beneficiary, while the promoter agrees to invest the subscriber's contributions and the grant and make EAPs to the beneficiary when he or she is about to enter a registered PSE institution.

There are a few other restrictions to the payment of a CESG. The beneficiary must be under the age of 18, be a Canadian resident at the time the contribution is made, and possess a valid Social Insurance Number (SIN). There are additional restrictions for beneficiaries aged 16 and 17. One of the following criteria has to be met in order for the beneficiaries aged 16 and 17 to benefit. One criterion is that a minimum of \$2,000 in contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary before the year in which the beneficiary attains 16 years of age. The second criterion is that a minimum of \$100 in annual contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary in at least any four years before the year in which the beneficiary attains 16 years of age. As a transitional measure, a beneficiary turning 16 years of age in 1998, or 17 in 1999 will be eligible if he or she was a beneficiary of an RESP during any four years before 1998. In other words, this means that the RESP for the child has to begin before the end of the calendar year in which the child turns 15 years of age in order to be eligible for the grant.

In the case that the beneficiary does not attend a post-secondary institution, the money can be held in the plan for a few years in case the beneficiary changes his or her mind. Once the beneficiary turns 21 years of age and is still not attending a post-secondary institution, other options become available. The subscriber can name a new beneficiary or use the Accumulated Income Payment (AIP) route if the following conditions are met: the beneficiary is at least 21 years of age; the plan has been in existence for at least 10 years; there are no other eligible beneficiaries; and the subscriber is a resident of Canada. If these conditions are met, the AIP can be either rolled over to a subscriber's or subscriber's spousal RRSP; or taxed at a subscriber's normal tax rate plus 20 per cent (the rate varies according to the province), or a direct payment may be made to an educational institution. This payment is not considered a charitable donation. If a replacement beneficiary is not found and the AIP option is not available, then the CESG is repaid to the Government.

Withdrawal of contributions from an RESP containing a CESG when the beneficiary is not enrolled in PSE brings on penalties. In this case, the trustee must return the Grant to the government, plus 20 per cent of withdrawn contributions. Other circumstances leading to repayment of the CESG include the termination of the RESP; RESP income paid as an AIP or to a PSE institution; the beneficiary replaced by an ineligible beneficiary; or a transfer to an RESP that does not have a beneficiary in common with the original plan or that does not comply with the *Income Tax Act*. Finally, withdrawal of pre-1998 contributions leads to restrictions on future CESG contributions, including prohibition of RESP contributions for the rest of the year, and CESG ineligibility in the next two years without earning new contribution room during those years.

As of December, 1999, there were a total of 1.5 million RESP contracts in existence, worth a total value of \$5.9 billion. This represents considerable growth in levels since before the implementation of the CESG, when these figures were less than half these levels — 700,000 and \$2.4 billion as of December 31, 1997, the day before the CESG came into operation. To date, over two million children have

benefited from the CESG. Furthermore, in 2005-2006, support for learning opportunities was provided to about 155,000 Canadians through the CESG. In 2005-2006, about 33 percent of Canadians under age 18 had become beneficiaries of an RESP and benefited from the CESG, versus 4.1 per cent at inception of the program in 1998.

Although participation in RESP savings and the CESG has grown dramatically since the inception of this program, recent evidence continues to suggest that take-up is more modest among lower income Canadians, despite efforts made to modify the CESG to better reach this target audience. Recent communications and advertising campaigns have sought to improve take-up.

1.2 THE FORMATIVE EVALUATION OF THE A-CESG AND CLB

The current Formative Evaluation of the A-CESG and CLB will include a number of distinct research projects or pieces, which will contribute together to examine the relevance, success and impacts of these two enhancements to the CESG program. The current project, the key informant interviews, explores the following important issues:

- > Evidence or perceptions of overall awareness of the CESG, A-CESG and CLB;
- > The size of the A-CESG and CLB, and the extent to which these are perceived to be sufficient and meaningful to subscribers;
- > RESP saving behaviours and source of RESP savings;
- > The impact of the introduction of the A-CESG and CLB on RESP savings behaviour and amounts;
- The impacts of the CESP, A-CESG and CLB on attitudes towards PSE, the perceived affordability of PSE, and parental expectations of attendance in PSE;
- Reasons for not subscribing, barriers to subscription, and strategies used to overcome barriers; and
- Satisfaction of subscribers with promoter/trustee service and CESP service.

1.3 METHODOLOGY

A total of 36 interviews have been conducted with stakeholders of the CESP to address the study issues listed above. The distribution of the interviews by type of respondent and by location is summarized below.

Table 1.1: Status of Key Informant Interviews

Type of Respondent	Completed Interviews	Messages Left	Refused
Promoters, trustees and sales agents at financial institutions	201	34	5
Government representatives	10	0	0
Academics/researchers	6	3	5
TOTAL	36	37	10

Key informants were identified from lists provided by HRSDC. The number of interviews conducted falls short of the target. Note that government representatives were readily identified and receptive to the interview and evaluation process, and that the targeted number of interviews was completed in this category. Respondents in the financial sector proved to be more challenging. Initially, without a list of promoters of the enhanced CESG products, it was extremely difficult to identify and secure the cooperation of representatives of financial institutions with knowledge of the products, who are willing to participate. A list of promoters was eventually identified, though even this listing was not fully accurate in identifying promoters of the A-CESG and CLB. Further, despite offering an honorarium in appreciation of their time, the level of enthusiasm in participating among many financial representatives was often quite low. However, the number of individuals interviewed does represent close to one-third of the institutions registered to sell the A-CESG and CLB (approximately 60 institutions and promoters are registered to sell these products).

In the category of academics and researchers, it has been impossible to meet the initial target number of interviews (ten) as many of the potential respondents identified are from Statistics Canada, do not feel that it is appropriate to comment on the design of a client's program, or do not feel sufficiently knowledgeable to contribute. One Statistics Canada employee has participated in the interview process of the six identified. Several academics and researchers contacted also declined to participate given their limited knowledge of the A-CESG and CLB.

The key informant interview questions were designed in an open-ended fashion based on the evaluation issues to permit interviewees to provide a detailed response. The interview guide has been tailored to the perspective and knowledge level of each respondent group. Tailoring the guides encourages the best use of the knowledge and experience of each key informant. Background information on the CESG, A-CESG and CLB was provided in an Annex to the interview guide. The final interview guides are provided in Appendix A.

The length of the key informant interviews was between 45 to 60 minutes, conducted in the preferred official language of the interviewee. To maximize individuals' opportunity to participate in the evaluation, we allowed for advance notice of the study and a reasonable period of time within which the interviews can be scheduled and completed. Interviewees were provided with sufficient preparatory information by providing them with the interview guide and an introductory letter in advance of the scheduled

Note that 17 interviews were conducted, but that three interviews included two respondents within one institution with differing responsibilities or knowledge of the A-CESG and CLB.

appointment to permit them time to prepare. During the interview, interviewees were prompted to provide examples corroborating the statements that they make. To encourage candid responses, interviewees were reminded that their comments will be kept strictly confidential and that interview notes will not be shared with CESP staff. Interview respondents, where possible, have been provided with the choice of an in-person versus telephone interview.

1.4 NOTE ON REPORTING

With respect to reporting, given the qualitative nature of the interview data, the results are presented in a format that uses qualifiers rather than percentages. For the sake of consistency, qualifiers such as "small number", "minority", "few" or "some" refer to two to four respondents. Qualifiers such as "several" or "many" refer to more than four but less than half of respondents. "Most" refers to more than half of respondents.

2. Interview Findings

2.1 RELEVANCE

a) Overall Relevance of the A-CESG and CLB

The issue of the relevance of both the CLB and A-CESG was explored with all interview respondents. Interview respondents were first asked if the objective of inciting low- and moderate-income Canadians to save for their child's post-secondary education is realistic. Program managers interviewed generally agree that this objective is both important and realistic. They note that by encouraging low- and moderate-income parents to save, they may also encourage attendance in PSE within this population. Several suggest that if a "child grows up knowing that money is being saved for a PSE, they may also then feel that it is expected or planned of them to attend". One manager agreed that the objectives are important and relevant, but said that it is too early to tell whether they are realistic or not.

Academics and researchers interviewed, and some financial promoters, however, are less certain of the extent to which it is realistic to expect these parents to save for a PSE. While they agree that this objective is important and commendable, many academics/researchers and some promoters feel that lower-income parents simply do not have the financial means or the financial know-how to save. They argue that they may not have the financial ability or cash available to permit them to save. Several promoters and academics also note that low- and moderate-income Canadians are not in the habit of planning ahead financially, and are less comfortable or knowledgeable regarding financial concepts such as compounding. (It should be noted that financial knowledge was often described as being as or more important than the financial means in the equation.) One academic even pointed to recent research suggesting that the basic perception of and appreciation for time may be fundamentally different, whereby one person does not place the same value on something ten years away that another might. This may make it more problematic to incite them to save and to be able to explain these products. One academic notes that lower income Canadians do not generally have individual pools of savings that are earmarked for different purposes (e.g., mortgage versus PSE) and that if they save for their child's PSE they may have less money to pay for other expenses or debts, suggesting that it may not be financially optimal for them to save for PSE (relative to applying these savings to something else, particularly if there is any possibility to losing some of the investment).

One academic interviewed indicated that surveys (in Canada and the US) do not provide evidence that children whose parents have saved for PSE are more apt to attend. There is a strong link, however, between grades and attendance, and between parental educational attainment and attendance. This respondent does suggest, however, that by encouraging parents to save for a PSE, the government is encouraging them to plan for a PSE, which should help encourage PSE attendance.

Program managers all agree that the CLB and A-CESG are well-designed to target low and moderate income Canadians. These two tools are designed to work together: the CLB offers the initial incentive to participate in the program (given that no investment is required), thus encouraging them to establish an RESP and begin to accumulate savings. The A-CESG is then available to incite them to further save some of their own money to contribute to this RESP. They acknowledge, however, that there are a number of key obstacles to take-up which need to be addressed in the design and delivery of the A-CESG and CLB (discussed later in Section 2.4).

Most financial promoters interviewed also agree that the A-CESG and CLB are relevant tools to encourage low and moderate income Canadians to save, and that these are clearly targeted at this audience. Like managers, they identify several obstacles to its success. These obstacles include the fact that low-income Canadians do not generally deal with financial institutions and are not necessarily comfortable going into a bank to discuss investments or finances (partly due to their lack of financial know-how). They again note that the A-CESG can be problematic for low-income Canadians, who simply do not have the financial means to save. Many note that they deal far more often with grandparents on the A-CESG and CLB.

A few academics and researchers interviewed suggest that the CLB is the most promising approach to addressing the limited financial means and financial skills or know-how of this target audience. The CLB is described as "free money" that can help get parents started in terms of accumulating savings. They also agree that the CLB may help lead to further savings (and use of the A-CESG) once the savings behaviour has been established, the RESP is available, and parents or extended family (including grandparents and godparents) can also then contribute to the RESP.

As with academics and researchers, a few promoters note that the CLB is the most promising tool for the low and moderate income audience. This tool is described as a "good lure", and "attractive". Parents can take advantage of the bond without investing. One also notes that the CLB is relatively simple to understand (as it is a set amount). Another promoter notes that the CLB is the more promising tool for low income Canadians as "when you get below a certain income threshold, it is hard for them to find savings". The CLB was described as "very helpful" in giving some funds to get started. This promoter notes that they see many lower-income parents get started with a savings program and then have to abandon it when other financial needs take precedence.

One academic interviewed also suggests that, through the A-CESG and CLB, the federal government is really trying to reach an audience that has not traditionally planned for PSE, and attempting to change parental attitudes to get them to plan and prepare (including saving). This respondent suggests that these tools are insufficient to achieve that, and that an extensive communications component would be necessary to accompany these programs. This academic suggests that the program is only succeeding to date in reaching parents who were already planning for their child(ren) to attend PSE, and that while it has been successful in getting "planners" to save, it has not reached those parents who are not "planners".

b) Consistency with Government Objectives

Program managers interviewed were also asked to indicate the extent to which the CESP continues to be consistent with HRSDC and government-wide priorities, and how (if at all) the introduction of the A-CESG and CLB has affected this consistency. Program managers agree strongly that the CESP, A-CESG and CLB are all consistent with federal government priorities. Several note that PSE is a high priority for the federal government, which seeks to increase participation in PSE to further improve the ability of Canadians to compete in the global economy (i.e., the knowledge agenda). These tools help Canadian parents save for their child's PSE. The program is thought to sensitize Canadians to the importance of planning ahead for a child's PSE. The addition of the A-CESG and CLB are thought to further reinforce the consistency of the CESP with federal objectives by making the program more attractive and accessible to low- and moderate-income Canadians, who typically have a lower participation rate in PSE. The overall objective of the CLB and A-CESG is to help lower-income Canadians have the savings they need to attend PSE, thus also possibly encouraging attendance (as at present, attendance is strongly correlated to income).

Several program managers note that these two products are based on asset-based policy, which fits in with current government priorities. One further notes that an asset-based approach has been demonstrated to have an impact on long-term behaviour. Asset-based policy is based on the belief that low-income families need more than income support to improve their economic and social status, and that building assets can help them escape from poverty. One academic also supported this notion in his comments, stating that assets have been demonstrated to change behaviour while income does not. This respondent states that, when given income, the instinct is to spend, not save, but that people behave differently when given an asset. On the other hand, another academic suggested that asset-based policy may not work equally well for all groups and that low-income parents may simply be a group that asset-based programs are not well suited for.

2.2 Design and Delivery

a) Amounts/Size of Contributions

The current size of the A-CESG and CLB were explored with interview respondents, who were asked to indicate whether they feel the current size of each instrument is reasonable and appropriate to achieve its objectives to induce parents to save.

Several program managers (half of those interviewed) indicate that they are uncertain if the current amounts are sufficient, based on feedback that they have received from partners and promoters. These managers identify the potential for additional market research (which is planned) to explore the size of contributions. Two of these managers further note that the current size is significant or appropriate only if parents begin saving early, which is not necessarily occurring at the moment. They identify a need to

educate Canadians on the need to start early and plan ahead, and suggest that automatic enrolment in the CLB may be one avenue of helping to ensure that this happens. Furthermore, one manager is uncertain whether the current amounts are a sufficient inducement given the process requirements to enrol. A couple of managers interviewed do feel, however, that the current amounts and contributions are sufficient and appropriate. One manager said that more research is needed to determine if any amount would be a sufficient inducement to incite this target group to save.

Academics and researchers interviewed are similarly divided on the issue of the current size of the A-CESG and CLB. Two of the six academics interviewed do feel that the size is appropriate, noting that every bit helps contribute towards savings for a PSE. One respondent feels that the size is insufficient given the current cost of a PSE, and insufficient to attract the average moderate-income Canadian who does not really understand compound interest and is not in the habit of planning ahead in terms of financial needs. Two suggest that it is the size of the initial incentive which is the most important and has the greatest impact in terms of inciting parents to enrol and begin saving. According to these academics, it is this initial barrier or savings inertia that is most critical to overcome. They suggest that a higher amount be initially offered by the CLB. One notes that a higher initial incentive is critical in terms of establishing that pattern of saving which occurs once an RESP is opened, and that subsequent amounts are of less interest or concern. Finally, the last academic interviewed suggests that the amounts are insufficient given the barriers to participation, and that incentive amounts are irrelevant unless barriers are addressed.

A couple of the academics interviewed suggest that the A-CESG amounts are less relevant for the low-income audience, in that they are not in a position to be able to save. They further suggest that matching contributions dollar to dollar may make more sense for the low income audience. One government representative reflected that the design of the new disability program (designed to encourage parents of children with disabilities to save for PSE) has a considerably higher matching ratio of three government dollars to every one parent dollar saved for the low-income segment of the program. At the same time, this was also qualified with the reality that the disabilities program will target a far smaller segment of Canadian parents (and, presumably, can afford to pay out more as a result).

Financial promoters interviewed generally echo the response of academics and researchers. Over one-quarter of the promoters interviewed feel that the current size is insufficient given the current costs of a PSE. A few note that the amounts may provide some incentive to save but are not sufficient to really provide meaningful help in offsetting the cost of a PSE. Others note that the CLB will "not get you too far" (in terms of paying for a PSE) without contributions from subscribers. One suggests that there is no "wow" factor, and that the amount does not seem sufficient to get parents to "pay attention". Another promoter feels that the amount may be sufficient for subscribers, but are insufficient for promoters who do not want smaller account sizes. Several promoters interviewed offered specific suggestions for changes to the A-CESG and CLB such as:

- Increasing the initial amount of the CLB to make it more attractive;
- Increasing the annual CLB contribution;

- Increasing the lifetime limit for the A-CESG to make it more reasonable relative to the current costs of a PSE; and,
- Matching A-CESG contributions at 100 per cent instead of 30 to 40 per cent.

One promoter also suggests that the federal government take action to educate parents as to practical ways that they can save money for a PSE (e.g., taking a lunch to work instead of buying it, putting cigarette money towards savings, putting away a small amount such as \$10 monthly).

b) Practical Design and Enrolment

All interview respondents were asked to provide their feedback on the practical design of the A-CESG and CLB (e.g. process requirements to enrol), and provided the opportunity to suggest changes to the design of either product.

The response to this question was similar across respondent groups, although the suggestions for improvement varied. Some respondents across all respondent types (program managers, academics and researchers, financial promoters) felt that the current design and process requirements make sense. They note that the higher rate of incentive for low- and moderate-income Canadians is a positive feature, and acknowledge that certain process requirements are necessary to safeguard public funds. A few financial promoters interviewed further feel that the program is relatively simple to administer.

Many respondents (again across all categories), however, feel that the current design is too complex and that the process requirements to enrol act as a deterrent to take-up. One program manager notes that an applicant has to go through several steps to enrol (i.e. have record of live birth, birth certificate, SIN number) and must then select a financial institution and be faced with a variety of options in RESPs. This may be overwhelming for this target audience (low- and moderate-income) who, when faced with so many choices to make, will make none (savings inertia). Several managers note that the program is exploring automatic enrolment in the CLB as a way to circumvent this difficulty and make the process easier for low-income parents. Under automatic enrolment, eligible parents (receiving the NCBS) would receive a pre-completed application form or be informed that a CLB has already been set up at a convenient financial institution and that they simply need to complete the necessary paperwork to access it. One program manager, however, disagrees with the argument that the enrolment is too complex and also with the proposal to make the enrolment more automatic. This manager argues that parents need to have a series of decision points along the way to allow them to make conscious decisions, and that removal of some of these decision points would reduce the buy in from parents. On the other hand, this manager does agree that the product is very complicated and simplification (of the product, and the application form, but not the not the enrolment process itself) would make it easier to get the message across and make it easier for promoters to explain it and sell it.

Similarly, one academic interviewed notes that the process of visiting a financial institution to obtain information on PSE savings could be uncomfortable and intimidating for many lower income families,

noting that he found it complex to take out an RESP for his own children. This academic suggested a need for a simple default option available to parents interested in an RESP and not familiar with investment options (e.g. a low cost mutual fund). That said, another researcher suggested that the lack of financial knowledge and appreciation of events in the distant horizon, coupled with the competing priorities for severely constrained resources, are far more fundamental barriers than the complexity of the program.

Several financial promoters interviewed express concern with the complexity of the application process and the amount of paperwork that must be completed. First, several promoters complain of the volume of paperwork and number of forms to complete, describing the administrative work associated with this program as "onerous". A couple suggest that the extent of the paperwork and process is simply too demanding given that it will not yield any revenue for them, significantly dampening any enthusiasm to promote them. Another promoter states that the administration of this program is too "heavy" and costly to interest financial institutions in promoting it, noting that many have introduced minimum deposit requirements in light of this.

In addition to the sheer volume of forms or paperwork to fill out, several promoters state that the forms are too complex for subscribers, particularly in the low- and moderate-income group. Three promoters note that if the primary caregiver is different from the subscriber or custodian parent several pages of documentation are required. One also notes that there is a high grant error application rate (higher than with other programs) which is another deterrent and complicates the process for the promoter. Handling of rejected applications is described as "cumbersome" and awkward particularly when they cannot be told why it was rejected for privacy reasons. One also suggests that lower income clients are less apt to pay attention to small details in completing forms, compounding the problem. One promoter at the headquarters level indicated that they receive calls from retail employees who are confused by the product and uncertain of a client's eligibility and that they "advise them to just apply for everything and then see what happens". Finally, one promoter notes that the sliding scale of eligibility for matching grants can cause confusion for clients who tend to fall in and out of eligibility as their income changes.

Other design issues raised by financial promoters interviewed include:

- The application process requires that income tax information be released, which can be a barrier to some (who will go through the whole process and then drop out when they find out that they must consent to release that information);
- The fact that existing CESG holders who qualify for the A-CESG or CLB must re-apply to receive these (rather than receiving them automatically);
- That under existing bankruptcy legislation, their RESP can be considered an asset and collapsed to pay creditors (with the promoters suggesting that these funds are for the children and should be protected); and
- That not all post-secondary schools or programs are approved which then complicates withdrawals.

c) Partnerships

The delivery of the CESP, including the A-CESG and CLB, is implemented in partnership between HRSDC and financial institutions, as well as in partnership with other stakeholders. The types of partnerships established by the program, as well as the success and effectiveness of these partnerships, were discussed with financial promoters and program managers interviewed.

Program managers identify a number of partnerships involved in the delivery of the A-CESG and CLB. Two key partners who are instrumental to the delivery of the CESP, including the A-CESG and CLB, are:

- Financial promoters: HRSDC relies on financial institutions to deliver the CESP. Parents must open an RESP with a financial institution to be able to obtain the CESG, A-CESG or CLB. These promoters must be registered with the CRA to be able to sell these products. Not all promoters registered to sell the CESG have chosen to sell the A-CESG and CLB.
- Canada Revenue Agency (CRA): The CESP is grounded in the Income Tax Act, maintained by CRA. Parents are eligible for the A-CESG and CLB based on their income tax information.

Overall, these partnerships are seen to be effective. One government representative went so far as to say that this is one of the best examples today of a government-private sector partnership, in that no one is paying the other and each one is getting something from the relationship. At the same time, some program managers note that these partnerships are not without weaknesses. Several managers note that there are some concerns over the alignment of the RESP products offered by financial promoters with the intent or requirements of the program (e.g. types of post-secondary programs the RESP is eligible for, promoters requesting minimum investment amounts for the A-CESG, high administrative fees being charged to clients, etc.). While the program does have a compliance team, the consequences for breaking the regulations or agreements are not necessarily thought to be stringent. One manager noted that they have little control over the delivery, although the government will be the one to bear the blame should something go wrong. A few managers suggest that they have also considered delivery through a smaller number of promoters to tighten control over delivery.

One program manager suggested that HRSDC needs to get a better handle on how changes in the program and products affect the promoters. The particular concern expressed by promoters is the long time lines that they require to be able to affect a change, given that applications forms are printed and distributed in advance and must wait for new batches to be printed and distributed, as well as for training to occur. In ongoing consultations, which HRSDC is now beginning to do with the industry, it has heard that any change needs about 18 months to roll out across the industry, which the government needs to take into consideration when changes are made. This is reflected in the response of a few promoters, who express frustration at being caught unaware of changes, or being uninformed and ill-prepared to administer program changes.

Another point of view from a program manager is that the CESP needs to do a better job of defining its relationship with, and expectations of, promoters. This needs to be dovetailed with a clear understanding of what promoters' own mandate and objectives are and how the program objectives fit or don't fit with industry objectives.

As well, a few program managers note that the coordination between HRSDC and CRA could be improved in terms of providing seamless service to Canadians, in that callers seeking service or answers to guestions are sometimes referred from one department to the other.

The effectiveness of the governance structure for managing, coordinating and delivering the A-CESG and CLB was also discussed with program managers. Program managers note that the program is still young, and is evolving as it grows. At the same time, the program has grown in size, presenting challenges in terms of internal communications as well as a reality of many managers and employees who are new to the program. Several new initiatives have been introduced (e.g. Disability program), further adding to their challenges in terms of growth and management. Several, however, note that there is a strong commitment to service and that they are continuously seeking ways to improve the design and delivery of the program. There is a good feedback loop in the compliance unit, and intelligence sharing across units, to facilitate continuous improvement. One manager, however, believes that the program should be doing a better job than it is in sharing information, suggesting some centralized data base or other mechanism for sharing new information internally within the different areas of the program. This manager also believes that there should be a better alignment within HRSDC between the CESP and the CLSP, so that one integrated message and set of rules can be communicated to the public.

Program managers identify other types of partnerships which have been utilized or explored by the program. These include:

- Service Canada: A pilot project was undertaken with Service Canada to have them promote the CESP to Canadians. Several managers note that they are uncertain of the success of this pilot project, given a lack of feedback or evidence. That being said, this partnership is seen to represent a very good opportunity to reach out to low income parents, according to some. More needs to be done to explore how this relationship can work and what Service Canada can do for the program to get the message out, according to one manager. There was a suggestion, however, from one manager that the structure of Service Canada (e.g., regional versus central reporting and functionality) makes it difficult to work with them.
- Canada Revenue Agency: To the extent that this partnership was commented upon, it was seen to be a good relationship. One government official expressed concern over the impact of possible/proposed changes to the program on this relationship and the need for new or different information from CRA and how this will affect the relationship.
- Provinces and territories: Provinces and territories have partnered with the program to send out promotional information to social services recipients. As well, a partnership has been developed with Alberta and also with Quebec to promote the program and sell CESP

products. Although these were described as very good relationships, one manager suggested that it would be helpful if HRSDC could provide the provinces and territories with some good core materials that they could then use to develop their own specific educational and promotional materials.

Other partners: The program is exploring additional partnerships with organizations reaching low-income and disadvantaged populations. This includes potential partnerships with INAC to reach Aboriginal Canadians, or NGOs reaching low-income, immigrant and disabled Canadians.

Most financial promoters interviewed only commented on the partnership between HRSDC and financial institutions, although a few also noted the partnership between HRSDC and CRA. Promoters generally feel that the partnership with financial promoters is effective. Many of the financial promoters interviewed comment positively on the communications between HRSDC and their own institution, noting that the program has been well communicated to promoters and that it is generally easy to obtain information when it is needed. One promoter states that "HRSDC has gone out of their way to make sure that the industry is informed and involved as a partner". In terms of communications, two note that there could be better collaboration or consistency between CRA and HRSDC in terms of the information they provide on the program, having been bounced back and forth between the two departments for information, and occasionally receiving inconsistent answers (echoing the comments of program managers). Two promoters interviewed also note that they would prefer to learn more quickly of any changes in program requirements (with one indicating that this impacts the number of rejected applications they receive). Several comment on the existence of an Advisory Group, through which they can provide feedback on the program to HRSDC.

Some promoters and academics/researchers interviewed also suggest that the program explore additional partnerships to better reach low and moderate-income parents in particular. Two promoters frankly suggest that financial institutions should not be involved in the delivery of the A-CESG and CLB at all (given that they are profit-based) and that the program should instead be implemented through other means.

d) Training

A CESP training program is offered to CESP staff, and to promoters/trustees involved in the delivery of the program, as well as to other pertinent stakeholders. The training provided to financial promoters/trustees is a train-the-trainer package whereby one individual (generally at the head office level) receives training with the expectation that this training will then be provided to staff selling these products. This training program was discussed with both financial promoters and program managers interviewed, in terms of their participation in this program, the perceived effectiveness of this program, and suggestions for improvements.

Program managers interviewed note that training is offered to financial promoters on a voluntary basis, and that it is hoped that training "trickles down" throughout the financial institution from the trainer to front-line staff. There is some concern, however, as to whether this occurs in reality, based on inconsistencies in the apparent knowledge of promoter staff selling CESP products. Some suggest that it would be preferable to make training mandatory, and to possibly develop alternative delivery modes for training (e.g. on-line training) to make it more accessible to and interactive for staff in financial institutions selling CESP products. These are possibilities being explored by the program. One manager also notes that they recently developed a user's guide for the program which has been well-received. Another manager notes that simplification of the products and program would make it easier for front line staff with promoters to be able to understand and stay up to date on the program.

Many program managers interviewed note that they themselves took the training, and that they found it very helpful in understanding the program, its design and delivery.

Just over half of the financial promoters interviewed did participate in the train-the-trainer training. The comments from these interview respondents on the training are very positive. They describe the training and materials as "very thorough", "excellent" and note that the trainers were well-prepared. Several further note that the materials and/or training were then provided to other staff in their organization selling these products. Few suggest any improvements to the training, although one suggests that the materials could be made easier to transmit to other staff, and could include a list of "frequently asked questions".

Of the remaining financial promoters interviewed, two were completely unaware of any training, and two more are aware but have not personally participated in training. The final interview respondent notes that the training was received but was not rolled out to branches. This respondent notes that this product is too complex and too unattractive in terms of potential sales/revenues to be bothered with providing training. One industry representative that did not take the training suggested that written materials, available in paper copy and online, may be the most useful.

2.3 Performance Measurement

Program managers interviewed were asked to identify the performance measurement and reporting systems in place for the CESP, A-CESG and CLB, and to comment on the effectiveness of these.

The program has a system collecting data on a series of performance indicators. They track the volume of take-up, and can break down take-up by income level. They monitor awareness by tracking web-site activity and 1-800 calls. Data are tracked on an on-going basis, and quarterly reports are issued. There is reporting that occurs at varying levels of formality, at different time intervals. Internally, there is informal reporting that occurs on a monthly basis. More formally, the quarterly reports are made available to stakeholders and government. Annual reports are made publicly available.

Program managers note that while information being collected is good, there is room for improvement. One notes that the performance measurement for the A-CESG and CLB are limited by legacy systems. For example, one manager notes that while they know how many people call the 1-800 number to ask about CESP products, there is no knowledge of how many then continue to enrol. As well, another expresses concern that the A-CESG and CLB are not reported on independently, and identifies an interest in knowing data on how many new CLBs are being established versus annual amounts being deposited into existing plans. Finally, one manager notes that while information is being collected, she was uncertain as to how extensively it is being used by program managers. Another said that the system is not friendly enough and does not allow users to be able to query it directly and in a flexible enough fashion. There is also a belief from one manager that there is not a sufficient framework in place to fully understand the objectives of the program.

2.4 AWARENESS

Awareness of the Canada Education Savings Program (CESP) and of the A-CESG and CLB specifically was explored with academics and researchers interviewed, as well as with financial promoters.

Most academics and researchers interviewed did not feel that they were in a position to comment on public awareness of the A-CESG and CLB, although from personal experience several suggest that it is low. A couple of academics interviewed do suggest, however, that there is a role for government and financial institutions to increase awareness and facilitate take-up. One respondent reiterated that there should be a simple default option in terms of an RESP ("Easy RESP"). He also suggested that there is a role to clarify misperceptions (that the money is lost if the child does not attend PSE). Another believes that communications were an afterthought in this program, when they should have been the first step. This academic argues that, for the program to be successful, the government must first convince parents to plan for a PSE. The government is seeking to change the behaviour of parents who do not typically plan for PSE (low and moderate income), and that this is a challenge which cannot be addressed by "writing cheques". Similarly, another researcher suggested that awareness and financial wherewithal is the foundation on which this type of program must work.

Financial promoters interviewed are in agreement that awareness of the A-CESG and CLB are poor. Many promoters suggest that awareness of the CESP is fair, but that there is far less knowledge of the A-CESG and CLB. Several promoters note that the lower the income, the less awareness and knowledge there is. It tends to be middle to upper-middle income families that are more aware of the CESP and taking advantage of it. They note that parents find these products very confusing, and have little understanding of how they work.

Several also note that the promoters themselves are doing little to promote these products. One promoter notes that low- and middle-income Canadians are not their target audience, and that promotion/awareness should really be the government's role. A few promoters interviewed suggest that while the there is information out there (e.g. through HRSDC mail outs), the information is not resonating

with the target audience; that they are not understanding the information (which may be too technical); and that they are not "paying attention" (which fits well with what researchers and academics have suggested regarding the lack of fundamental appreciation for saving (and planning) for PSE. They suggest potentially using a mixed strategy (combination of paper and mass media), and simplifying the information to be more of an advertisement than a technical information piece (which will simply land in the blue box). Several also note that communications materials are not making the connection between RESP, CESG, A-CESG and CLB, and that parents are not really understanding how the program works or where/how they get started (with an RESP).

Financial promoters and academics interviewed provide a number of suggestions for improving awareness, including:

- HRSDC should talk about RESPs in their promotional material, explain how a parent gets started, aiming the information at a very general level (assuming no prior knowledge of the array of products available);
- Increasing the initial amount of the CLB to introduce a "wow" factor;
- Explain clearly the progress of growth of the investment (that an initial \$500 plus x a month will yield \$xx,000 at the end of 15 years at an annual compounded interest rate of x percent);
- Increase advertising and promotion through media campaigns;
- Promote the value of a PSE and the importance of planning for a PSE on attitudes about PSE and actual attendance;
- Provide information in a range of languages for new Canadians, who tend to be more interested and receptive to the program;
- > Target information to locations and venues where parents can be reached including schools, immigration centres, women's shelters, day cares;
- > Engage partners who can and do already communicate and serve a low- and moderate-income audience to assist with the promotion and delivery of the program;
- > Target grandparents who can be a good target audience for these products; and
- > Try to educate Canadians about finances and the importance of saving and financial planning.

Two financial promoters also suggest that the government should be handling the administration of the program for low-income Canadians, as the financial institutions do not reach them and have little interest in doing so.

2.5 Barriers to Subscription

Barriers to subscription to the A-CESG and CLB for low- and moderate-income Canadians were explored with all respondents interviewed. Interview respondents across all categories (program managers, academics and researchers, financial promoters) identified a range of barriers. There was no real variation in response by respondent type (although promoters were less likely to identify financial institutions as a barrier). Barriers identified by interview respondents (in no particular order) are as follows:

- Lack of awareness: As noted in the previous section, lack of awareness of the A-CESG and CLB, and knowledge of these products, is seen to be a key barrier to take-up. Interview respondents stress that increasing awareness to reduce confusion and increase understanding is important. One manager also suggests that increasing awareness will also send a message that this (saving for PSE) is something important to think about.
- Reliance on promoters: Many interview respondents (program managers, academics/researchers, and also promoters) perceive the reliance on financial institutions as another key barrier to take-up by low-income Canadians. They stress that low-income Canadians do not frequent financial institutions, and may feel intimidated by approaching a bank to ask about an RESP. Furthermore, many stress that low- and moderate-income Canadians are not a target for financial institutions, which are doing little to promote these products. In fact, several promoters interviewed frankly state that they are a profit-based business and have little interest in opening RESPs that will maintain a low balance. Several program managers also note that promoters are seeking to increase their profit on these products by demanding a minimum investment to start a CESG or A-CESG, and charging high administrative fees.
- Financial means: Many respondents across all categories identify a lack of financial means as another important barrier for low- and moderate-income Canadians. They indicate that low-income Canadians in particular are focused on more immediate needs such as food and shelter, and do not necessarily have money to invest or save for their child's PSE. Naturally, financial means presents a barrier to participation in the A-CESG, but not the CLB.
- Financial literacy: As noted previously, a low level of financial literacy, particularly among low- and moderate-income Canadians, presents another barrier. The average individual in this demographic is not thought to have a clear grasp of concepts such as compound interest, and the types of financial products and plans available. One respondent notes "there is a fundamental knowledge gap on financial issues".
- Ability/capacity to plan long-term: Along with low financial literacy, a couple of academics note that most Canadians do not plan far ahead, such as planning long-term for their child's PSE. Several academics interviewed note that there is evidence from other HRSDC program research to indicate that there is a fundamental difference between people in their perception of time. There is a subjective discount rate such that different people think of ten years away in a different light (some value it and some discount it as being too far away to be of any

importance). When you have no money to save, the time difference may be even more salient. Furthermore, some believe that the program is only reaching those who have an interest (who were planning for their child to attend PSE), and not those who are not "planners", or who have not given the matter thought (which are going to be much harder to reach).

- Complexity of the program and RESPs: The steps to enrol, RESPs, and the concepts involved are difficult for this target audience to grasp. Several interview respondents suggest that "we must take them by the hand", explain things in simpler terms, and make it easier to save. One academic states that we are selling a "complex product" to our least sophisticated customers.
- Misperceptions of the program: Related to increasing awareness and understanding of the program is the need to dispel misperceptions. Several respondents note that these misperceptions (e.g. the belief that you must contribute a minimum amount, that you will lose your investment if your child does not attend PSE) are another barrier to take-up. In some instances, these "misperceptions" may also be reality-based on restrictions imposed by promoters.
- Expectations of PSE attendance or government assistance: While attitudes to PSE are not thought to be a barrier by most interview respondents (who indicate that most parents value a PSE, regardless of income), some believe that low-income parents may be less apt to expect their children to actually attend PSE. Furthermore, a small number of interview respondents suggest that low-income parents may expect that the government will help pay for their child's education anyway, and that if you save you will get less assistance from the government. Further to this, one respondent suggested that this may actually be a disincentive to anyone thinking that any efforts at savings will only detract from their child's ability to be eligible for government assistance (or the amount of assistance) that they will be able to qualify for later).

Potential government strategies to help address or overcome barriers to enrolment were also explored with interview respondents. A number of strategies were repeated by interview respondents in all three categories (program managers, academics and researchers, financial promoters). These include:

- Public education: Interview respondents across all categories suggest a need for public education and communication to improve the financial literacy of Canadians (and low-income parents in particular), and also to communicate the value and importance of starting to save early for PSE.
- Promote PSE and planning: Several respondents also suggest promoting the value of a PSE in terms of career opportunities and salary. One also suggests communicating realistic information about the current cost of a PSE. Promotion of the importance of planning for PSE (and generally internalizing the expectation that a child will attend, for the parents and the child) was also cited by several as critical.

- Increase awareness: Similarly, interview respondents identify a need to increase awareness of the CESP, A-CESG and CLB among Canadians. Furthermore, they suggest the need to increase understanding of these products to dispel misperceptions (and clean up the actual rules so that promoters don't have enough licence to impose their own rules, such as fees and restrictions).
- **Simplify enrolment:** Interview respondents also identify a need to simplify the enrolment process (e.g. steps, paperwork) to make it less intimidating or overwhelming. They also identify a need to simplify the communications to make the process seem less formidable. Individual respondents suggest additional print materials and public seminars.

Additionally, program managers interviewed suggest a number of additional strategies. Program managers identify automatic enrolment in the CLB as one means of overcoming barriers to enrolment. They also suggest developing new partnerships and strategies to reach low- and moderate-income Canadians in addition to financial promoters (such as NGOs or partners already reaching specialized target groups). A few also suggest reducing the number of promoters used to simplify the choice.

Several program managers and academics interviewed also identify a need to increase control over promoters, to increase expectations of how they will promote these products, and to restrict administration fees charged.

Finally, two promoters suggest a more radical approach; treating the RESP/CESP like the CPP so that it can accumulate for all Canadians.

2.6 IMPACTS

The issue of the impacts of the A-CESG and CLB on the savings of low- and middle-income parents for their children's education was explored with program managers and financial promoters. Program managers interviewed indicate that it is too early to discuss impacts, as these products have only been available for two years. They also note that no data are available as of yet on the demographic profile of subscribers. One manager did note, however, that they do know that 90 percent of CLB owners do actually save some money in an RESP (although the amounts and frequency of deposits are unknown).

Financial promoters interviewed suggest that they believe the CESP, including the A-CESG and CLB, have resulted in a steady decrease in the point at which parents open an. They believe that this program is encouraging parents to begin saving for their child's PSE earlier.

Financial promoters also believe that the A-CESG and CLB have increased savings by parents for PSE, although they caution that the money being saved is being taking from somewhere else and that there may be financial ramifications for parents. Money being invested in RESPs is generally being

shifted from other savings, or parents are taking out a loan to initiate an RESP. Finally, one financial promoter interviewed believes that the CLB is inducing some parents to begin saving, but that the impact of the A-CESG is much lower.

Financial promoters were also asked to describe the profile of A-CESG and CLB subscribers based on their experience. Most promoters interviewed found this question hard to answer, and were unable to provide any information. A few noted that they believe that subscribers tend to be parents who are working, are more financially literate, and very keen to see their children obtain a PSE. A few also identified grandparents as a key audience also, given that they tend to be more financially secure or have fewer financial obligations and can contribute.

As noted, one academic interviewed also believes that the impact of the A-CESG and CLB to date has largely been limited to those parents already interested in or receptive to planning and saving for a PSE, which is thought to be a small proportion of low-income parents.

2.7 SERVICE

Financial promoters interviewed were asked to indicate the extent to which they believe that CESG, A-CESG and CLB subscribers are satisfied with the service being provided to them by RESP promoters, trustees and sales agents at financial institutions. Roughly half the promoters interviewed indicate that they feel confident that the level of client satisfaction is high. Other promoters interviewed note that customer satisfaction sometimes suffers as a result of the complexity of the application/enrolment process and the high rejection rate. Several note that the program is so complex that there is a lot of information to be transferred to the client. Furthermore, with the extensive paperwork to fill out, there is a lot of room for client error. If/when a grant is rejected, HRSDC cannot give them much information on the reasons for rejection due to privacy constraints. This then makes it very difficult to explain to the client and rectify the process. One promoter notes that with the three-year window to enrol, this can be a significant issue. If the process drags on or parents were last minute in applying, they may forego the opportunity completely if their grant is rejected. One promoter notes that applicants occasionally "give up in frustration" when they experience difficulties with the process. This individual notes that things may go wrong if, for example, the applicant enters "Maggie" instead of Margaret for a name. Several also note that low-income parents typically experience more difficulty with paperwork, and often do not understand some of the terms or concepts involved (e.g. custodial parent, caregiver).

The level of satisfaction of promoters with the overall quality of service provided by the CESP within HRSDC was explored with both program managers and financial promoters. Financial promoters, for the most part, report being highly satisfied with the service they receive from HRSDC. These promoters note that HRSDC is easy to contact, helpful, and genuinely interested in feedback. Some note that there are difficulties, but that HRSDC is working within the constraints of privacy regulations and other federal legislation (e.g. SIN registry, Income Tax Act). Again, a few mention frustration in being "bounced back and

forth" between HRSDC and CRA with questions, or delays in learning of changes. A few suggest the provision of "refresher training" when changes have been made to the program.

Program managers similarly indicate that the level of satisfaction of promoters with the service they receive from the program and HRSDC is very high, as evidenced by data from client satisfaction surveys. Program managers note that the program places a strong emphasis on maintaining and improving their relationship with promoters, as they are important to the delivery of the CESP. Many program managers do believe, however, that most promoters are doing little to actually promote the A-CESG and CLB, given that low- and moderate-income Canadians are not a target audience or a source of significant revenue for them, a point of view also cited by several promoters.

As noted earlier, one program manager indicated that the department needs to recognize the implications of program changes on timeframes and costs for promoters. HRSDC also needs to consult the industry more in making decisions/changes. There is also a need for HRSDC to develop more promotional materials that the industry can then use to create their own promotional materials. This fits with the earlier argument that the financial industry is for profit and is unlikely to promote the program's products (although they will sell the products), suggesting that it is up to HRSDC to provide the promoters with as much help as possible in reaching out to Canadians.

2.8 ALTERNATIVES

Potential alternative approaches to help low- and moderate-income families save for PSE were also explored with interview respondents in all categories. Interview respondents were largely unable to identify alternatives, focusing instead on improvements or alternative approaches within the existing program.

Academics and researchers interviewed did not provide extensive suggestions beyond recommending that government take steps to address the barriers identified in Section 2.4. One academic also suggested that the government could provide additional direct financial assistance towards students from low-income families in the form of scholarships.

Managers largely reiterate earlier suggestions in terms of alternatives, including:

- Exploring new partnerships with organizations or partners who can better reach low- and moderate-income Canadians;
- Automatic enrolment in the CLB:
- Additional communications targeted at this audience (low- and moderate-income parents) to increase awareness and understanding;
- Simplifying the enrolment process; and
- Possibly remunerating financial promoters for sales of these products.

Promoters provided some additional suggestions in terms of alternatives, including:

- Making RESP contributions tax deductible;
- Increasing the lifetime limit on the A-CESG;
- Reaching out to low- and moderate-income Canadian through other partners in addition to financial institutions (e.g. churches, schools, community groups); and
- > Simplifying the enrolment process.

As well, one promoter interviewed suggested taking a more radical approach (similar to the UK) by establishing an RESP for parents and showing them how to start saving. This promoter suggests that the program would have more success if the government "took people by the hand". This dovetailed with a comment made by a government representative about the CESP being envious of the UK environment where financial management is taught in schools at a very young age, giving people a sounder financial footing on which to base a program like this.

3. Conclusions

According to key informants interviewed, the objectives being pursued through the A-CESG and CLB are considered relevant and laudable, although the extent to which they are presently realistic is uncertain. Currently, a number of barriers are presently acting as obstacles to take-up, potentially limiting the success of the program vis-à-vis its core objectives. These barriers relate to the target audience (lack of financial means, limited financial literacy, lack of mindset for long-term planning, possible lack of expectations regarding PSE attendance, and expectations of government financial assistance); the design of the program itself (complexity and administrative burden); the delivery of the program (by financial promoters for whom low-income Canadians are not a key target); and limited public awareness and understanding of the program.

There is no consensus among interview respondents as to whether the current amounts offered by the A-CESG or CLB are sufficient. Survey research being conducted may shed further light on this question by gathering data directly from the target audience.

The program is presently delivered in partnership with financial promoters. While this partnership is viewed to be effective, it is not entirely without weakness. The extent to which training is being delivered to front-line promoter staff is uncertain, and HRSDC control over the delivery of the program by promoters is seen as limited. Some promoters are believed to have added to the barriers to enroll by requiring minimum investment amounts or charging administrative fees. The partnership with CRA is also seen to be fairly strong, although there is room for improvement in communications to the public to ensure a more seamless response and service. Finally, many interview respondents identify the potential to explore new partnerships to expand the reach of the program with low and moderate-income Canadians.

Performance measurement information is collected on an ongoing basis, with reports issued regularly. While the data collected is seen to be useful, it is described as limited by legacy systems. Managers identify room for improvement to the data collected (to collect more, and more detailed information); to the extent of analysis possible; and to the internal use of information by managers.

Promoters are largely satisfied with the service they receive from HRSDC. They describe the training received as of high quality, and feel that HRSDC works hard to keep them informed. Similarly, most promoters feel that customer satisfaction with the service they receive is also high, although some indicate that customer satisfaction occasionally suffers as a result of the complexity of the application process, high rejection rate, delays, and sometimes limited information available as to the reasons for rejection.

Interview respondents identify a range of potential changes or improvements to the A-CESG and CLB, to overcome barriers to subscription and strengthen the program. These suggestions include:

- Improving the program's reach to low and moderate-income Canadians through new partnerships with organizations already providing information, assistance and programs to this audience (e.g., to low-income Canadians, new Canadians, and Aboriginal Canadians).
- Simplifying the program, the steps to enroll, and the forms or paperwork involved. Suggestions include a simple RESP for those with little financial knowledge or experience, reducing the steps required to enroll, or simplifying the forms involved. Some managers also see automatic enrolment as a potential method to simplify enrolment and increase participation among low-income Canadians.
- Public education to increase the financial literacy of Canadians.
- Communications and promotion to promote PSE, the value of a PSE, as well as communicating information relating to the cost of PSE and the value of saving early.
- Improving awareness of the CESP, A-CESG and CLB among Canadians, as well as increasing understanding of CESP products, how they work, and dispelling misperceptions.
- Increase control over promotion by increasing expectations of financial promoters, and placing greater restrictions (to eliminate service fees, minimum investment requirements).

While interview respondents identify and suggest potential changes and improvements to the A-CESG and CLB, it is clear that managers are already in the process of identifying and exploring potential changes. The program is strongly committed to customer service.

APPENDIX A INTERVIEW GUIDES

Formative Evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB)

Key Informant Interview Guide Government Representatives

EKOS Research has been commissioned by Human Resources and Social Development Canada (HRSDC) to conduct a series of key informant interviews as part of the formative evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB). This evaluation is examining issues related to the A-CESG and CLB design and implementation, progress toward the achievement of immediate outcomes, and accountability. Some background on the A-CESG and CLB is appended to this interview guide.

Please note that participation in this interview is completely voluntary and your acceptance or refusal to participate will not affect the relationship you may have with HRSDC. The information you provide will be collected under the authority of the *Department of Human Resources and Skills Development Act* and will be administered in accordance with the *Privacy Act* and other applicable privacy laws. The information you provide will be used solely for the purpose of the evaluation. With your consent, the interview will be tape recorded to ensure your views are accurately captured. The interview responses will then be analyzed and reported in summary form only; the interview findings presented in the evaluation report will not be linked directly or indirectly to any individual or organization. The results will only be published in aggregated format and the interview tapes will be destroyed at the end of the contract. The interview should take between 45 and 60 minutes of your time.

Please feel free to tell the interviewer if you are unable to answer any of the questions in this guide.

INTRODUCTION

1. What involvement or role have you had in the Canada Education Savings Program (CESP), and the A-CESG and CLB in particular, to date?

RELEVANCE

2. The A-CESG and CLB were introduced in order to try and increase participation of low and middle-income families in the CESP. Is this objective realistic (i.e., that low-income parents can be incited to save for post-secondary education)? Is the A-CESG a relevant and useful tool to encourage low and

- middle income parents to save for their child's post-secondary education? Why or why not? On what evidence or experience do you base this view?
- 3. Do you see the CLB as a tool designed more as a method of inducing parents to save or a method of accumulating savings for a child's post-secondary education (or both)? Is it a relevant and useful tool?
- 4. The A-CESG and the CLB have been added to the CESP since the first formative evaluation conducted of the CESP. In your opinion, to what extent does the CESP continue to be consistent with HRSDC and government-wide priorities? How has the introduction of the A-CESG and CLB affected that, if at all? Please explain.

DESIGN AND DELIVERY

As noted in the information appended to this interview guide, the CESG provides 20 per cent on the first \$2,000 contributed annually to an RESP for children up to age 18. The A-CESG provides an additional grant to low and middle income families, whereby low-income families receive an additional 20 per cent (or 40 per cent in total) on the first \$500 contributed annually, while middle-income families receive an additional 10 per cent (or 30 per cent in total) on the first \$500. The CLB is an additional grant paid directly into the RESP of children eligible to receive the National Child Benefit Supplement (NCBS) in low-income families, and includes an initial payment of \$500 plus \$100 a year for up to 15 years (as long they receive the NCBS).

The A-CESG and CLB are designed to be implemented in a manner similar to the CESG, in that parents must open an RESP with the assistance of a promoter or trustee (see Annex to this guide for more detailed information). As noted, the CLB involves an initial payment of \$500, followed by the \$100 a year (regardless of whether any money is contributed to the RESP); while the A-CESG is based on annual contributions to the RESP (by the holder/parent).

- 5. In your opinion, is the current size or contributions of the A-CESG reasonable and appropriate to achieve its objectives to induce parents to save? How about the CLB? Are the amounts of \$500 and \$100 annually sufficient to be meaningful to potential subscribers? Why or why not? On what evidence or experience do you base your opinion? If not, what magnitude of change would you suggest to the A-CESG and why? To the CLB?
- 6. Does the design of the A-CESG make sense (matched grant, layered according to income, has process requirements to enroll, etc)? How about the CLB (initial bond, additional amount each year, same process requirements to enroll)? Based on your experience or information available to you, would you suggest any changes to the practical design or delivery of either the A-CESG or the CLB? What would you suggest? Why? On what do you base this opinion?
- 7. To what extent is the governance structure for managing, coordinating and delivering the A-CESG and CLB effective? What are its strengths and weaknesses? How effective are the channels of communication for the management and delivery of the A-CESG and CLB? What suggestions would you make for improvements (if any)? Please explain.

- 8. The delivery of the CESP, including the A-CESG and CLB, is implemented in partnership between HRSDC and financial institutions (through promoters, trustees and sales agents within institutions) and with the support of other stakeholders. HRSDC has also collaborated with provincial/territorial governments and the CRA as part of the CESP. In your opinion, how effective has HRSDC been in establishing and maintaining partnerships and collaborations within the context of the CESP? What partnerships or collaborations are you familiar with? What are the strengths and weaknesses of these? What suggestions for improvement or additional partnerships (if any) would you make? Please explain.
- 9. A CESP training program is offered to CESP staff, promoters/trustees involved in the delivery of the A-CESG and CLB, as well as to other pertinent stakeholders. Have your participated in this training program? If yes, when? If no, how familiar are you with this program? Based on your experience, how effective is this training program? Do you have any suggestions for improvements? Please explain, providing examples where possible.
- 10. What performance measurement and reporting systems are in place for the CESP, and specifically for the A-CESG and CLB? In your opinion, how effective are these? How could these be improved (if at all)?

BARRIERS TO SUBSCRIPTION

- 11a. Based on your experience or data available to you, what are the primary barriers to subscription to the A-CESG and CLB for low and middle income Canadians? What are the main reasons low and middle income Canadians would or do not subscribe to the A-CESG and CLB? Please explain. On what do your base this view? Barriers may include:
 - Lack of awareness:
 - The steps one must take to apply for and subscribe to the CESG, A-CESG or CLB (obtain a birth certificate, SIN number, open an RESP)?
 - > Financial means:
 - Attitudes towards post-secondary education;
 - Misperceptions of the program (e.g., need to contribute annually, investment lost if child does not pursue PSE, etc.);
 - Insufficient inducement to save or issues with program delivery;
 - > Other.
- 11b. What role do these play in determining or influencing PSE savings behaviour and subscription to the A-CESG and CLB?
- 11c. What are some of the strategies parents employ to overcome these barriers?

12. What strategies, approaches or actions (if any) would you suggest the federal government take to help address or overcome these barriers and increase subscription rates? Any strategies, approaches or actions RESP promoters, agents or trustees could take to help address or overcome these barriers and increase subscription rates? On what evidence or experience do you base your opinion?

IMPACTS OF THE A-CESG AND CLB

- 13. What is the profile of subscribers to the A-CESG and CLB? Are they reaching low and middle income parents broadly, or to limited sub-segments? Who and why? Please explain, using examples or data to support your answer where possible. On what evidence or experience do you base your opinion?
- 14. Has the introduction of the A-CESG and CLB had any other impacts on low and middle income parents? Such as on:
 - > Parental attitudes towards post-secondary education?
 - Parental attitudes towards saving for a post-secondary education?
 - Parental expectations of their children obtaining a post-secondary education?
 - The perceived affordability of a post-secondary education?
- 15. Please describe the impacts as well as the target audience they have affected. On what evidence or experience do you base your response?

SERVICE

- 16. Based on your experience or data available to you, to what extent do you believe that promoters, trustees and sales agents at financial institutions are satisfied with the overall quality of service provided by the Canada Education Savings Program (CESP) within Human Resources and Social Development Canada, as well as with the A-CESG and CLB products?
 - Are they actively promoting these products?
 - Are they satisfied with the service, information and materials they receive from the CESP?
 - > Do they have the information they need to promote these products to the target audience? Are they sufficiently knowledgeable/informed to promote these products effectively?
 - > To what extent are they able to reach the low and middle income parents who are the target audience for these products?

ALTERNATIVES

- 17. Are there other alternative approaches to help lower and middle-income families save for the postsecondary education of their child(ren)? What are they? What are the relative advantages and disadvantages of alternatives in comparison to the A-CESG and CLB?
- 18. Do you have anything else to add?

Thank You for Your Participation!

Should you wish to obtain information pertaining to this evaluation, you may submit a request to HRSDC pursuant to the Access to Information Act. Instructions for making a request are provided in the publication Info Source, copies of which are located in local Service Canada Centres or at the following internet address: http://infosource.gc.ca. When making a request, please refer to the name of this project: CESG – CLB Formative Evaluation.

ANNEX THE A-CESG AND CLB

Background

In January 1998, the Federal Government introduced the CESG, the immediate objective of which is to encourage Canadians to make contributions to Registered Education Savings Plans (RESPs) usually for their children or grand-children, the beneficiaries of the grant. The CESG is administered by the Learning Branch of Human Resources and Social Development Canada (HRDSC), which is responsible for increasing participation of Canadians in post-secondary education, literacy and adult and lifelong learning opportunities, especially in low-to middle-income families.

A formative evaluation of the CESG was completed in April of 2003. This evaluation found that the CESG was successful in encouraging adults to save for the PSE of children, but also discovered that participation in the program was significantly lower among lower-income families and that participation increased with income levels. This resulted in modifications to the CESG; primarily the creation of the "Additional" CESG (A-CESG) and the Canada Learning Bond (CLB), announced in October of 2004.

The government provides a Canada Education Savings Grant of 20 per cent on the first \$2,000 of annual contributions made to the RESP for children up to age 18. (The maximum allowable annual RESP contribution is \$4,000.) The maximum grant is \$400 per child per year. If the contributor of the grant cannot contribute to the RESP in one given year and carries forward the unused portion of the CESG, the grant could be as much as \$800 (based on a maximum annual contribution of \$4,000). Therefore, the grant can be as much as \$400 each year per beneficiary based on an annual contribution of \$2,000, and over the years could amount to a maximum total of \$7,200 (\$400 times 18 years). Only contributions made on or after January 1, 1998 are eligible for the Grant. Money cannot be withdrawn from an RESP that was opened before 1998 and re-contributed to the same or another RESP to obtain the Grant.

The **A-CESG** provides an additional grant to low and middle income families. As of January 1, 2005, the CESG rate increased on the first \$500 contributed to a RESP for eligible beneficiaries depending on net family income. Low-income families receive an additional 20 per cent on the first \$500 contributed (for a total of 40 per cent), while middle-income families receive an additional 10 per cent (for 30 per cent). The Canada Savings Education Act requires that the income brackets established for A-CESG purposes be indexed yearly based on inflation. For 2007, the A-CESG rate is 20 per cent when net family income is \$37,178 or less, and 10 per cent when the net family income is more than \$37,178 but less than \$74,357.

The *Canada Learning Bond (CLB)* is a Government of Canada grant to help modest-income families start saving for their child's post-secondary education. A CLB is paid by HRDSC directly into the RESP of a child who is a named beneficiary and whose parent or guardian is eligible to receive the National Child Benefit Supplement (NCBS). This supplement is generally for families with a net annual income below \$37,178 (for 2007, the same income bracket eligible for an additional 20 per cent on the CESG through the A-CESG). For families who gualify, the Government will add to a child's RESP by making a first payment of

\$500. Families that receive the CLB will also get extra payments of \$100 a year for up to 15 years, as long as they receive the NCBS. The total CLB available for a child could amount to \$2,000.

The CESG is paid directly into an RESP, a registered education savings plan that permits savings to grow tax-free until the beneficiary goes full-time to a post-secondary education institution. For the CESG to be paid, the RESP must comply with tax rules set out in the *Income Tax Act*, with the Canada Revenue Agency administering the tax provisions under the Act. When the beneficiary is about to enter a community college, university or technical/vocational college, he or she can make use of the RESP and the Grant. Upon proof of registration to an eligible post-secondary educational program, the accumulated investment income on the subscriber's RESP contributions and the Grant, together with the Grant itself, will be paid to a student (the beneficiary) as an Education Assistance Payment (EAP).

The procedure in applying for and paying the Grant is as follows. The subscriber selects a promoter or trustee of the RESP and signs a contract. The promoter then helps the subscriber in applying for a Grant. Following acceptance, the subscriber makes contributions to the RESP on behalf of the named eligible beneficiary or beneficiaries. The promoter notifies HRDC of the contributions and HRDC processes the request and submits the appropriate amount to the promoter on behalf of the beneficiary. The promoter then deposits the Grant into the subscriber's RESP account.

The promoter of an RESP can be any person or organization offering an RESP to the public such as banks and trust companies. The subscriber must be a person (and not an organization, corporation or trust) who enters into an RESP contract with the promoter or trustee. Under the terms of the RESP contract, the subscriber agrees to contribute to the contract on behalf of an individual named under the plan as the beneficiary, while the promoter agrees to invest the subscriber's contributions and the Grant and make EAPs to the beneficiary when he or she is about to enter a registered PSE institutions.

There are a few other restrictions to the payment of a CESG. The beneficiary must be under the age of 18, be a Canadian resident at the time the contribution is made, and possess a valid Social Insurance Number (SIN). There are additional restrictions for beneficiaries aged 16 and 17. One of the following criteria has to be met in order for the beneficiaries aged 16 and 17 to benefit. One criterion is that a minimum of \$2,000 contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary before the year in which the beneficiary attains 16 years of age. The second criterion is that a minimum of \$100 in annual contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary in at least any four years before the year in which the beneficiary attains 16 years of age. As a transitional measure, a beneficiary turning in 16 years of age in 1998, or 17 in 1999 will be eligible if he or she was a beneficiary of an RESP during any four years before 1998. In other words, this means that the RESP for the child has to begin before the end of the calendar year in which the child turns 15 years of age in order to be eligible for the Grant.

In the case that the beneficiary does not attend a post-secondary institution, the money can be held in the plan for a few years in case the beneficiary changes his or her mind. Once the beneficiary turns 21 years of age and is still not attending a post-secondary institution, other options become available. The

subscriber can name a new beneficiary or use the Accumulated Income Payment (AIP) route if the following conditions are met. The beneficiary is at least 21 years of age, the plan has been in existence for at least 10 years, there are no other eligible beneficiaries, and the subscriber is a resident of Canada. If these conditions are met, the AIP can be either rolled over to a subscriber's or subscriber's spousal RRSP; or taxed at a subscriber's normal tax rate plus 20 per cent (the rate varies according to the province), or a direct payment may be made to an educational institution. This payment is not considered a charitable donation. If a replacement beneficiary is not found and the AIP option is not available, then the CESG is repaid to the Government.

2007 Survey Findings: Attitudes and Behaviours Regarding Saving

A tracking survey of parents conducted in May of 2007 (with a sample size of 1132)² revealed that, despite the launch of a social marketing campaign, awareness of government programs that help parents save for PSE remains modest. Some key findings from this tracking survey include:

- When asked if they have heard of any government programs that exist to help parents save and pay for their children's post-secondary education, 43 per cent identified an RESP, while less than 10 per cent could name the CESG, or describe its features (e.g., government program matching funds). A relatively high number of parents were not aware of any programs (18 per cent) or could not provide an answer to the question (20 per cent). Parents with lower household incomes and with lower levels of educational attainment exhibited the lowest levels of awareness.
- > Saving and paying for a child's education is considered to be an important personal savings goal for most parents, regardless of income.
- Over four in ten (43 per cent) parents are actually saving for their children's education (43 per cent). A similar number (45 per cent) are saving for retirement. The incidence of saving for a child's education is much greater among parents who are university-educated, who have higher household incomes, and who know how to save for their children's education.
- Just over six in ten (62 per cent) of parents saving for their child's education are using an RESP specifically to do so. Households with the lowest annual incomes are less apt to be using an RESP.
- There is significant variation in confidence in one's knowledge about how to get started in saving for a child's post-secondary education depending upon household incomes, with over half of parents in lower income households saying they agree or are uncertain with respect to the statement: "I don't really know how to get started in saving for my children's post-secondary education".

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Tracking Survey: Parents Attitudes and Behaviours Regarding Saving and Ad Recall, by Ekos Research Associates for Human Resources and Social Development Canada, May 29 2007. por-rop@hrsdc-rhdsc.gc.ca

- A strong majority of parents surveyed (84 per cent) expect all of their children to attend postsecondary education in the future.
- > Overall, parents seem to have a fairly realistic idea of the costs associated with attending post-secondary education, with the overall average expected cost being \$53,000.
- Parental income is the most popular source for supporting children during their education. RESPs, other parental savings, scholarships and bursaries, child's income and savings, and government loans are also anticipated by more than half the parents.

Formative Evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB)

Key Informant Interview Guide Academics and Researchers

EKOS Research has been commissioned by Human Resources and Social Development Canada (HRSDC) to conduct a series of key informant interviews as part of the formative evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB). This evaluation is examining issues related to the A-CESG and CLB design and implementation, progress toward the achievement of immediate outcomes, and accountability. Some background on the A-CESG and CLB is appended to this interview guide.

Please note that participation in this interview is completely voluntary and your acceptance or refusal to participate will not affect the relationship you may have with HRSDC. The information you provide will be collected under the authority of the *Department of Human Resources and Skills Development Act* and will be administered in accordance with the *Privacy Act* and other applicable privacy laws. The information you provide will be used solely for the purpose of the evaluation. With your consent, the interview will be tape recorded to ensure your views are accurately captured. The interview responses will then be analyzed and reported in summary form only; the interview findings presented in the evaluation report will not be linked directly or indirectly to any individual or organization. The results will only be published in aggregated format and the interview tapes will be destroyed at the end of the contract. The interview should take between 45 and 60 minutes of your time.

Please feel free to tell the interviewer if you are unable to answer any of the questions in this guide.

INTRODUCTION

1. What involvement or role have you had in the Canada Education Savings Program (CESP), and the A-CESG and CLB in particular, to date?

RELEVANCE

The A-CESG and CLB were introduced in order to try and increase participation of low and middle-income families in the CESP. Is this objective realistic (i.e., that low-income parents can be incited to save for post-secondary education)? Is the A-CESG a relevant and useful tool to encourage low and middle income parents to save for their child's post-secondary education? Why or why not? On what evidence or experience do you base this view?

3. Do you see the CLB as a tool designed more as a method of inducing parents to save or a method of accumulating savings for a child's post-secondary education (or both)? Is it a relevant and useful tool?

DESIGN

As noted in the information appended to this interview guide, the CESG provides 20 per cent on the first \$2,000 contributed annually to an RESP for children up to age 18. The A-CESG provides an additional grant to low and middle income families, whereby low-income families receive an additional 20 per cent (or 40 per cent in total) on the first \$500 contributed annually, while middle-income families receive an additional 10 per cent (or 30 per cent in total) on the first \$500. The CLB is an additional grant paid directly into the RESP of children eligible to receive the National Child Benefit Supplement (NCBS) in low-income families, and includes an initial payment of \$500 plus \$100 a year for up to 15 years (as long they receive the NCBS).

The A-CESG and CLB are designed to be implemented in a manner similar to the CESG, in that parents must open an RESP with the assistance of a promoter or trustee (see Annex to this guide for more detailed information). As noted, the CLB involves an initial payment of \$500, followed by the \$100 a year (regardless of whether any money is contributed to the RESP); while the A-CESG is based on annual contributions to the RESP (by the holder/parent).

- 4. In your opinion, is the current size or contributions of the A-CESG reasonable and appropriate to achieve its objectives to induce parents to save? How about the CLB? Are the amounts of \$500 and \$100 annually sufficient to be meaningful to potential subscribers? Why or why not? On what evidence or experience do you base your opinion? If not, what magnitude of change would you suggest to the A-CESG and why? To the CLB?
- 5. Does the design of the A-CESG make sense (matched grant, layered according to income, has process requirements to enroll, etc)? How about the CLB (initial bond, additional amount each year, same process requirements to enroll)? Based on your experience or information available to you, would you suggest any changes to the practical design or delivery of either the A-CESG or the CLB? What would you suggest? Why? On what do you base this opinion?

AWARENESS

- 6. Based on your experience and/or data available to you, to what extent do you believe Canadians (and parents, in particular) are aware of the Canada Education Savings Program? To what extent are they aware of the A-CESG specifically? The CLB? From what you have seen or heard, do parents seem to understand how these work?
 - How does awareness vary? Who tends to be aware, and who is not (i.e., are some groups of parents more likely to know about the program, who and why)?
 - Are key target audiences for the A-CESG and CLB (low and middle income Canadians) aware of these programs?

- What aspects of these programs are Canadians aware of? What aspects are least well known? Why? Where/how are they learning of the A-CESG and CLB?
- How effective have marketing efforts of the federal government been to date in stimulating awareness of the CLB and A-CESG?
- > What strategies or tactics (if any) would you suggest to increase awareness and knowledge within target audiences?

BARRIERS TO SUBSCRIPTION

- 7a. Based on your experience or data available to you, what are the primary barriers to subscription to the A-CESG and CLB for low and middle income Canadians? What are the main reasons low and middle income Canadians would or do not subscribe to the A-CESG and CLB? Please explain. On what do your base this view? Barriers may include:
 - Lack of awareness:
 - > The steps one must take to apply for and subscribe to the CESG, A-CESG and CLB (obtain a birth certificate, SIN number, open an RESP)?
 - Financial means;
 - > Attitudes towards post-secondary education;
 - Misperceptions of the program (e.g., need to contribute annually, investment lost if child does not pursue PSE, etc.);
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- 8b. What role do these play in determining or influencing PSE savings behaviour and subscription to the A-CESG and CLB?
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- 9. What strategies, approaches or actions (if any) would you suggest the federal government take to help address or overcome these barriers and increase subscription rates? Any strategies, approaches or actions RESP promoters, agents or trustees could take to help address or overcome these barriers and increase subscription rates? On what evidence or experience do you base your opinion?

ALTERNATIVES

- 10. Are there other alternative approaches to help lower and middle-income families save for the post-secondary education of their child(ren)? What are they? What are the relative advantages and disadvantages of alternatives in comparison to the A-CESG and CLB?
- 11. Do you have anything else to add?

Thank You for Your Participation!

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ANNEX THE A-CESG AND CLB

Background

In January 1998, the Federal Government introduced the CESG, the immediate objective of which is to encourage Canadians to make contributions to Registered Education Savings Plans (RESPs) usually for their children or grand-children, the beneficiaries of the grant. The CESG is administered by the Learning Branch of Human Resources and Social Development Canada (HRDSC), which is responsible for increasing participation of Canadians in post-secondary education, literacy and adult and lifelong learning opportunities, especially in low-to middle-income families.

A formative evaluation of the CESG was completed in April of 2003. This evaluation found that the CESG was successful in encouraging adults to save for the PSE of children, but also discovered that participation in the program was significantly lower among lower-income families and that participation increased with income levels. This resulted in modifications to the CESG; primarily the creation of the "Additional" CESG (A-CESG) and the Canada Learning Bond (CLB), announced in October of 2004.

The government provides a Canada Education Savings Grant of 20 per cent on the first \$2,000 of annual contributions made to the RESP for children up to age 18. (The maximum allowable annual RESP contribution is \$4,000.) The maximum grant is \$400 per child per year. If the contributor of the grant cannot contribute to the RESP in one given year and carries forward the unused portion of the CESG, the grant could be as much as \$800 (based on a maximum annual contribution of \$4,000). Therefore, the grant can be as much as \$400 each year per beneficiary based on an annual contribution of \$2,000, and over the years could amount to a maximum total of \$7,200 (\$400 times 18 years). Only contributions made on or after January 1, 1998 are eligible for the Grant. Money cannot be withdrawn from an RESP that was opened before 1998 and re-contributed to the same or another RESP to obtain the Grant.

The **A-CESG** provides an additional grant to low and middle income families. As of January 1, 2005, the CESG rate increased on the first \$500 contributed to a RESP for eligible beneficiaries depending on net family income. Low-income families receive an additional 20 per cent on the first \$500 contributed (for a total of 40 per cent), while middle-income families receive an additional 10 per cent (for 30 per cent). The *Canada Savings Education Act* requires that the income brackets established for A-CESG purposes be indexed yearly based on inflation. For 2007, the A-CESG rate is 20 per cent when net family income is \$37,178 or less, and 10 per cent when the net family income is more than \$37,178 but less than \$74,357.

The **Canada Learning Bond (CLB)** is a Government of Canada grant to help modest-income families start saving for their child's post-secondary education. A CLB is paid by HRDSC directly into the RESP of a child who is a named beneficiary and whose parent or guardian is eligible to receive the National Child Benefit Supplement (NCBS). This supplement is generally for families with a net annual income below \$37,178 (for 2007, the same income bracket eligible for an additional 20 per cent on the CESG through the

A-CESG). For families who qualify, the Government will add to a child's RESP by making a first payment of \$500. Families that receive the CLB will also get extra payments of \$100 a year for up to 15 years, as long as they receive the NCBS. The total CLB available for a child could amount to \$2,000.

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The procedure in applying for and paying the Grant is as follows. The subscriber selects a promoter or trustee of the RESP and signs a contract. The promoter then helps the subscriber in applying for a Grant. Following acceptance, the subscriber makes contributions to the RESP on behalf of the named eligible beneficiary or beneficiaries. The promoter notifies HRDC of the contributions and HRDC processes the request and submits the appropriate amount to the promoter on behalf of the beneficiary. The promoter then deposits the Grant into the subscriber's RESP account.

The promoter of an RESP can be any person or organization offering an RESP to the public such as banks and trust companies. The subscriber must be a person (and not an organization, corporation or trust) who enters into an RESP contract with the promoter or trustee. Under the terms of the RESP contract, the subscriber agrees to contribute to the contract on behalf of an individual named under the plan as the beneficiary, while the promoter agrees to invest the subscriber's contributions and the Grant and make EAPs to the beneficiary when he or she is about to enter a registered PSE institutions.

There are a few other restrictions to the payment of a CESG. The beneficiary must be under the age of 18, be a Canadian resident at the time the contribution is made, and possess a valid Social Insurance Number (SIN). There are additional restrictions for beneficiaries aged 16 and 17. One of the following criteria has to be met in order for the beneficiaries aged 16 and 17 to benefit. One criterion is that a minimum of \$2,000 contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary before the year in which the beneficiary attains 16 years of age. The second criterion is that a minimum of \$100 in annual contributions has to have been made to, and not withdrawn from, RESPs in respect of the beneficiary in at least any four years before the year in which the beneficiary attains 16 years of age. As a transitional measure, a beneficiary turning in 16 years of age in 1998, or 17 in 1999 will be eligible if he or she was a beneficiary of an RESP during any four years before 1998. In other words, this means that the RESP for the child has to begin before the end of the calendar year in which the child turns 15 years of age in order to be eligible for the Grant.

In the case that the beneficiary does not attend a post-secondary institution, the money can be held in the plan for a few years in case the beneficiary changes his or her mind. Once the beneficiary turns

21 years of age and is still not attending a post-secondary institution, other options become available. The subscriber can name a new beneficiary or use the Accumulated Income Payment (AIP) route if the following conditions are met. The beneficiary is at least 21 years of age, the plan has been in existence for at least 10 years, there are no other eligible beneficiaries, and the subscriber is a resident of Canada. If these conditions are met, the AIP can be either rolled over to a subscriber's or subscriber's spousal RRSP; or taxed at a subscriber's normal tax rate plus 20 per cent (the rate varies according to the province), or a direct payment may be made to an educational institution. This payment is not considered a charitable donation. If a replacement beneficiary is not found and the AIP option is not available, then the CESG is repaid to the Government.

2007 Survey Findings: Attitudes and Behaviours Regarding Saving

A tracking survey of parents conducted in May of 2007 (with a sample size of 1132)³ revealed that, despite the launch of a social marketing campaign, awareness of government programs that help parents save for PSE remains modest. Some key findings from this tracking survey include:

- When asked if they have heard of any government programs that exist to help parents save and pay for their children's post-secondary education, 43 per cent identified an RESP, while less than 10 per cent could name the CESG, or describe its features (e.g., government program matching funds). A relatively high number of parents were not aware of any programs (18 per cent) or could not provide an answer to the question (20 per cent). Parents with lower household incomes and with lower levels of educational attainment exhibited the lowest levels of awareness.
- > Saving and paying for a child's education is considered to be an important personal savings goal for most parents, regardless of income.
- Over four in ten (43 per cent) parents are actually saving for their children's education (43 per cent). A similar number (45 per cent) are saving for retirement. The incidence of saving for a child's education is much greater among parents who are university-educated, who have higher household incomes, and who know how to save for their children's education.
- Just over six in ten (62 per cent) of parents saving for their child's education are using an RESP specifically to do so. Households with the lowest annual incomes are less apt to be using an RESP.
- There is significant variation in confidence in one's knowledge about how to get started in saving for a child's post-secondary education depending upon household incomes, with over half of parents in lower income households saying they agree or are uncertain with respect to the statement: "I don't really know how to get started in saving for my children's post-secondary education".

EKOS RESEARCH ASSOCIATES, 2008 • 17

Tracking Survey: Parents Attitudes and Behaviours Regarding Saving and Ad Recall, by Ekos Research Associates for Human Resources and Social Development Canada, May 29 2007. por-rop@hrsdc-rhdsc.gc.ca

- A strong majority of parents surveyed (84 per cent) expect all of their children to attend postsecondary education in the future.
- > Overall, parents seem to have a fairly realistic idea of the costs associated with attending post-secondary education, with the overall average expected cost being \$53,000.
- Parental income is the most popular source for supporting children during their education. RESPs, other parental savings, scholarships and bursaries, child's income and savings, and government loans are also anticipated by more than half the parents.

Formative Evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB)

Key Informant Interview Guide Financial Institutions/Promoters

EKOS Research has been commissioned by Human Resources and Social Development Canada (HRSDC) to conduct a series of key informant interviews as part of the formative evaluation of the Additional Canada Education Savings Grant (A-CESG) and Canada Learning Bond (CLB). This evaluation is examining issues related to the A-CESG and CLB design and implementation, progress toward the achievement of immediate outcomes, and accountability. Some background on the A-CESG and CLB is appended to this interview guide.

Please note that participation in this interview is completely voluntary and your acceptance or refusal to participate will not affect the relationship you may have with HRSDC. The information you provide will be collected under the authority of the *Department of Human Resources and Skills Development Act* and will be administered in accordance with the *Privacy Act* and other applicable privacy laws. The information you provide will be used solely for the purpose of the evaluation. With your consent, the interview will be tape recorded to ensure your views are accurately captured. The interview responses will then be analyzed and reported in summary form only; the interview findings presented in the evaluation report will not be linked directly or indirectly to any individual or organization. The results will only be published in aggregated format and the interview tapes will be destroyed at the end of the contract. The interview should take between 45 and 60 minutes of your time.

Please feel free to tell the interviewer if you are unable to answer any of the questions in this guide.

INTRODUCTION

1. What involvement or role have you had in the Canada Education Savings Program (CESP), and the A-CESG and CLB in particular, to date?

RELEVANCE

The A-CESG and CLB were introduced in order to try and increase participation of low and middle-income families in the CESP. Is this objective realistic (i.e., that low-income parents can be incited to save for post-secondary education)? Is the A-CESG a relevant and useful tool to encourage low and middle income parents to save for their child's post-secondary education? Why or why not? On what evidence or experience do you base this view?

3. Do you see the CLB as a tool designed more as a method of inducing parents to save or a method of accumulating savings for a child's post-secondary education (or both)? Is it a relevant and useful tool?

DESIGN

As noted in the information appended to this interview guide, the CESG provides 20 per cent on the first \$2,000 contributed annually to an RESP for children up to age 18. The A-CESG provides an additional grant to low and middle income families, whereby low-income families receive an additional 20 per cent (or 40 per cent in total) on the first \$500 contributed annually, while middle-income families receive an additional 10 per cent (or 30 per cent in total) on the first \$500. The CLB is an additional grant paid directly into the RESP of children eligible to receive the National Child Benefit Supplement (NCBS) in low-income families, and includes an initial payment of \$500 plus \$100 a year for up to 15 years (as long they receive the NCBS).

The A-CESG and CLB are designed to be implemented in a manner similar to the CESG, in that parents must open an RESP with the assistance of a promoter or trustee (see Annex to this guide for more detailed information). As noted, the CLB involves an initial payment of \$500, followed by the \$100 a year (regardless of whether any money is contributed to the RESP); while the A-CESG is based on annual contributions to the RESP (by the holder/parent).

- 4. In your opinion, is the current size or contributions of the A-CESG reasonable and appropriate to achieve its objectives to induce parents to save? How about the CLB? Are the amounts of \$500 and \$100 annually sufficient to be meaningful to potential subscribers? Why or why not? On what evidence or experience do you base your opinion? If not, what magnitude of change would you suggest to the A-CESG and why? To the CLB?
- 5. Does the design of the A-CESG make sense (matched grant, layered according to income, has process requirements to enroll, etc)? How about the CLB (initial bond, additional amount each year, same process requirements to enroll)? Based on your experience or information available to you, would you suggest any changes to the practical design or delivery of either the A-CESG or the CLB? What would you suggest? Why? On what do you base this opinion?
- 6. The delivery of the CESP, including the A-CESG and CLB, is implemented in partnership between HRSDC and financial institutions (through promoters, trustees and sales agents within institutions) and with the support of other stakeholders. HRSDC has also collaborated with provincial/territorial governments and the CRA as part of the CESP. In your opinion, how effective has HRSDC been in establishing and maintaining partnerships and collaborations within the context of the CESP? What partnerships or collaborations are you familiar with? What are the strengths and weaknesses of these? What suggestions for improvement or additional partnerships (if any) would you make? Please explain.
- 7. A CESP training program is offered to CESP staff, promoters/trustees involved in the delivery of the A-CESG and CLB, as well as to other pertinent stakeholders. Have your participated in this training program? If yes, when? If no, how familiar are you with this program? What is the primary reason you did not participate in the training offered? Based on your experience, how effective is this training

- program? Do you have any suggestions for improvements? Please explain, providing examples where possible.
- 8. Has this training been offered to staff in branch offices of your organization, or to the staff who are dealing directly with the Canadian public on the sales of CESP products? If yes, what proportion of staff have received the training? If not, why?

AWARENESS

- 9. Based on your experience and/or data available to you, to what extent do you believe Canadians (and parents, in particular) are aware of the Canada Education Savings Program? That is, do parents tend to bring up the topic of CESP? Do they know about the matched grant and targeting of additional funds for lower income parents when you discuss it with them? Are they usually the ones asking you about it or do you inform them first?) To what extent are they aware of the A-CESG specifically? The CLB? From what you have seen or heard, do parents seem to understand how these work?
 - How does awareness vary? Who tends to be aware, and who is not (i.e., are some groups of parents more likely to know about the program, who and why)?
 - Are key target audiences for the A-CESG and CLB (low and middle income Canadians) aware of these programs?
 - What aspects of these programs are Canadians aware of? What aspects are least well known? Why? Where/how are they learning of the A-CESG and CLB?
 - How effective have marketing efforts of the federal government been to date in stimulating awareness of the CLB and A-CESG? Do parents talk about seeing promotional material, for example?
 - What strategies or tactics (if any) would you suggest to increase awareness and knowledge within target audiences?

BARRIERS TO SUBSCRIPTION

- 10a. Based on your experience or data available to you, what are the primary barriers to subscription to the A-CESG and CLB for low and middle income Canadians? What are the main reasons low and middle income Canadians would or do not subscribe to the A-CESG and CLB? Please explain. On what do your base this view? Barriers may include:
 - Lack of awareness:
 - The steps one must take to apply for and subscribe to the CESG, A-CESG and CLB (obtain a birth certificate, SIN number, open an RESP)?
 - Financial means;
 - Attitudes towards post-secondary education;

- Misperceptions of the program (e.g., need to contribute annually, investment lost if child does not pursue PSE, etc.);
- Insufficient inducement to save or issues with program delivery;
- > Other.
- 10b. What role do these play in determining or influencing PSE savings behaviour and subscription to the A-CESG and CLB?
- 10c. What are some of the strategies parents employ to overcome these barriers?
- 10d. What strategies, approaches or actions (if any) would you suggest the federal government take to help address or overcome these barriers and increase subscription rates? Any strategies, approaches or actions RESP promoters, agents or trustees could take to help address or overcome these barriers and increase subscription rates? On what evidence or experience do you base your opinion?

IMPACTS OF THE A-CESG AND CLB

- 11. What impact has the introduction of the A-CESG and CLB had on the savings of low and middle-income parents for their children's education? Have these components resulted in increased savings in RESPs among low and middle income parents? Have these components had an impact on the average age of the beneficiary at which an RESP is opened? Why or why not? On what evidence or experience do you base your opinion?
 - What is the source of RESP savings (i.e., is the savings incremental or does it come from other savings such as RRSPs)?
 - » Is there any negative financial ramifications of these savings for parents (e.g., not paying down mortgage, no retirement savings, etc.)?
- 12. What is the profile of subscribers to the A-CESG and CLB? Are they reaching low and middle income parents broadly, or to limited sub-segments? Who and why? Please explain, using examples or data to support your answer where possible. On what evidence or experience do you base your opinion?
- 13. Has the introduction of the A-CESG and CLB had any other impacts on low and middle income parents? Such as on:
 - Parental attitudes towards post-secondary education?
 - Parental attitudes towards saving for a post-secondary education?
 - Parental expectations of their children obtaining a post-secondary education?
 - The perceived affordability of a post-secondary education?

14. Please describe the impacts as well as the target audience they have affected. On what evidence or experience do you base your response?

SERVICE

- 15. Based on your experience or data available to you, to what extent do you believe that CESG, A-CESG and CLB subscribers are satisfied with the service provided to them by RESP promoters, trustees and sales agents at financial institutions (e.g., timeliness of service, knowledge of promoters, friendliness, explanations provided)? Please explain. On what do your base this view?
- 16. To what extent are you satisfied with the overall quality of service provided by the Canada Education Savings Program (CESP) within Human Resources and Social Development Canada? With the A-CESG and CLB products?
 - Are you/your institution actively promoting these products? Do you feel sufficiently knowledgeable/informed about these products to promote them effectively?
 - Are you satisfied with the service, information and materials you receive from the CESP? Service and information provided by HRSDC call centres?
 - > Do you have the information needed to promote these products to the target audience?
 - > To what extent are you/the financial institution you work for able to reach the low and middle income parents who are the target audience for these products?

ALTERNATIVES

- 17. Are there other alternative approaches to help lower and middle-income families save for the postsecondary education of their child(ren)? What are they? What are the relative advantages and disadvantages of alternatives in comparison to the A-CESG and CLB?
- 18. Do you have anything else to add?

Thank You for Your Participation!

Should you wish to obtain information pertaining to this evaluation, you may submit a request to HRSDC pursuant to the Access to Information Act. You have the right to the protection of, and access to, your personal information. Should you wish to obtain your personal information regarding this evaluation you may submit a request pursuant to the Privacy Act. Instructions for making both requests are provided in the publication Info Source, copies of which are located in local Service Canada Centres or at the following internet address: http://infosource.gc.ca. When making a request, please refer to the name of this project: CESG – CLB Formative Evaluation.

ANNEX THE A-CESG AND CLB

Background

In January 1998, the Federal Government introduced the CESG, the immediate objective of which is to encourage Canadians to make contributions to Registered Education Savings Plans (RESPs) usually for their children or grand-children, the beneficiaries of the grant. The CESG is administered by the Learning Branch of Human Resources and Social Development Canada (HRDSC), which is responsible for increasing participation of Canadians in post-secondary education, literacy and adult and lifelong learning opportunities, especially in low-to middle-income families.

A formative evaluation of the CESG was completed in April of 2003. This evaluation found that the CESG was successful in encouraging adults to save for the PSE of children, but also discovered that participation in the program was significantly lower among lower-income families and that participation increased with income levels. This resulted in modifications to the CESG; primarily the creation of the "Additional" CESG (A-CESG) and the Canada Learning Bond (CLB), announced in October of 2004.

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- > Saving and paying for a child's education is considered to be an important personal savings goal for most parents, regardless of income.
- Over four in ten (43 per cent) parents are actually saving for their children's education (43 per cent). A similar number (45 per cent) are saving for retirement. The incidence of saving for a child's education is much greater among parents who are university-educated, who have higher household incomes, and who know how to save for their children's education.
- Just over six in ten (62 per cent) of parents saving for their child's education are using an RESP specifically to do so. Households with the lowest annual incomes are less apt to be using an RESP.
- There is significant variation in confidence in one's knowledge about how to get started in saving for a child's post-secondary education depending upon household incomes, with over half of parents in lower income households saying they agree or are uncertain with respect to the

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- statement: "I don't really know how to get started in saving for my children's post-secondary education".
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- > Overall, parents seem to have a fairly realistic idea of the costs associated with attending post-secondary education, with the overall average expected cost being \$53,000.
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