

Intelligence MEMOS



From: Luc Godbout and Luce Samoisette
To: Chrystia Freeland, Minister of Finance and Marie-Claude Bibeau, Minister of National Revenue
Date: March 19, 2024
Re: **ON ITS ANNIVERSARY, HAS THE GOAL OF THE CANADA LEARNING BOND BEEN ACHIEVED?**

Twenty years ago, the federal government launched an initiative to promote post-secondary access for children from low-income families with a Canada Learning Bond (CLB) deposited directly into a Registered Education Savings Plan (RESP).

This bond is available to those children born on or after January 1, 2004, even without a parental RESP contribution. It provides for a deposit of \$500 into an RESP in the first year and \$100 for each subsequent year of eligibility until the age of 15 for a maximum of \$2,000. Eligibility is determined by family income and the number of children in the family.

The idea is to crystallize in parents the idea that their child can pursue post-secondary education, and that once an RESP is opened, motivate them to make some contributions.

The [2004 federal budget](#) indicated that when the initiative matured, the CLB would cost approximately \$325 million annually and be provided to approximately 2.2 million children.

Let's take advantage of the anniversary to see how it's turned out.

Even though [the statistics](#) on the CLB participation rate of eligible children show an improvement from 29.1 percent in 2013 to 42.5 percent in 2022, there were still 2.5 million children in 2022 out of the eligible 4.4 million who did not receive it. The main reason is that parents didn't open an RESP, which is the necessary first step.

It should be noted that individuals who are eligible for the CLB, but have not received it, can apply to receive it as soon as they turn 18 but before 21. In 2022, [ESDC](#) projected that approximately 142,000 individuals born in 2004 who didn't open an RESP would be eligible.

With the limited uptake, the program cost only reached \$151 million in 2022, less than half the amount projected at maturity by the [2004 federal budget](#), and the number of beneficiaries was just short of 30 percent of the planned target, 658,000 rather than 2.2 million children.

To be sure, over the years, governments have sought different ways to raise awareness of the benefits of education savings, including the Canada Education Savings Program to promote knowledge and understanding of the benefits of early savings among modest-income families. However, it seems that promoting the RESP alone is not enough to ensure that all children participate.

Faced with this mixed picture, it's time to take action.

First, the federal government could easily identify CLB-eligible children who don't have an RESP account, thanks to Canada Child Benefit payments. An annual reminder about the benefits of an RESP, and the existence of the bond program, in parents' notices of assessment would be a minimum step.

For eligible individuals who turn 18 without their parents having opened an RESP, the Canada Revenue Agency should inform them of the amount to which they are entitled and open an account in their name, similar to the Canada Training Credit, so they can access the amounts.

Amending the *Income Tax Act* to permit a province or a charity to open an RESP on behalf of a child would be another simple solution.

It's important to remember that it's possible to ensure that every eligible child obtains the CLB to which he or she is entitled.

Knowing that children from modest-income families who receive RESPs are more likely to pursue education, this is an important investment in improving the living conditions of families while contributing to the Canadian economy. What are we waiting for?

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