

The Lifelong Learning Plan

The Lifelong Learning Plan (LLP) is a government program offered through the Canada Revenue Agency (CRA) to help Canadian residents further their education. The LLP allows you to withdraw up to \$10,000 in a calendar year – up to \$20,000 in total – from your Registered Retirement Savings Plans (RRSP) to finance full-time training or education for you or your spouse or common-law partner, without paying taxes on the withdrawal. If you withdraw funds from your RRSP under the LLP, you are required to repay all withdrawals to your RRSP over a period of no more than 10 years.

QUALIFYING FOR THE LIFELONG LEARNING PLAN

In order to qualify for the LLP, you must be a resident of Canada and have already opened an RRSP. The LLP participant must be the annuitant of the RRSP from which the withdrawals are made. Withdrawals are not permitted from a Locked-in plan, Group Plans or a Registered Retirement Income Fund (RRIF). In addition, you or your spouse or common-law partner must enroll in a qualifying educational program at a designated educational institution on a full-time basis; or on a part-time basis if the student meets the disability conditions set out by CRA. Qualifying educational programs include academic programs and occupational skills programs at educational institutions certified by the Human Resources and Skills Development Canada (HRSDC). Participation in the LLP must be completed before the end of the year that the student becomes 71 years old.

If at any time these conditions are not being met, you will no longer qualify for the LLP and your RRSP withdrawal will no longer be eligible. As a result, the outstanding balance of your LLP withdrawal must be included as income for the year you received the funds.

You (or your spouse or common-law partner) are able to participate in the LLP as many times as you wish; starting the year after you reduce your LLP balance to zero, you may participate in the plan again, as long as you continue to qualify for the LLP.

Withdrawing From Your RRSP

Provided that you meet all of CRA's conditions for participating in the LLP, you must complete CRA form RC96, Lifelong Learning Plan (LLP) Request to Withdraw Funds from an RRSP for each withdrawal you make from your RRSP. As long as you meet the requirements of the LLP every year, you can withdraw amounts from your RRSP until January of the fourth year after the year you made your first LLP withdrawal. The year after you repay the total amount of your LLP withdrawal, you are eligible to participate in the plan again.

If you withdraw more than \$10,000 in one year or more than the \$20,000 limit, the excess amount will be added to your income for the year you received the funds. The \$20,000 limit applies for each time you participate in the LLP.

If you withdraw funds from your RRSP under the LLP within 89 days of contributing to your RRSP, all or part of your RRSP contributions may not be tax deductible.

Funds withdrawn from the RRSP under the LLP will be reported in Box 25 on a T4RSP slip for the year of withdrawal.

You are able to participate in the LLP even if you have amounts withdrawn from your RRSP for the Home-Buyers Plan that have not yet been repaid.

Repaying LLP Withdrawals

Generally, you have up to 10 years to repay your LLP withdrawals.

If you are entitled to claim an "education amount" for at least three months on your tax return, you may be able to delay your LLP repayment until the fifth year after the first LLP withdrawal was made. However, in most cases, repayment will begin in the first year after the withdrawal is made. Generally, each year you will be required to pay 1/10th of the LLP amount until the entire balance has been repaid. No interest will be charged on the amounts you withdrew.

As with any RRSP contributions, you are allowed to make your repayment within the calendar year or the first 60 days of the following year.

Amounts contributed to your RRSP as LLP repayments are not eligible for a tax deduction and they do not affect your annual RRSP contribution limit. If you fail to repay the required amount when it is due, the amount must be added to your taxable income. You always have the option of repaying the funds withdrawn for the LLP sooner if you wish, thereby reducing the amount that you are required to pay for future years.

Contributions you make to a spousal RRSP, or contributions your spouse or common-law partner make to your RRSP, cannot be claimed as repayments under the LLP.

Each year, CRA will provide you with a Lifelong Learning Plan (LLP) Statement of Account that will show you the details of your withdrawal, including how much was withdrawn originally, how much has been repaid to date, and the amount due for the upcoming year.

To designate an RRSP contribution as an LLP repayment, you must complete CRA form Schedule 7, RRSP Unused Contributions, Transfers, and LLP or LLP Activities and file it with your tax return for the year you made the repayment.

Outstanding Balance at Age 71

After the end of the year in which you turn 71 years old, you are no longer able to contribute to your RRSP. Therefore, if you have an outstanding LLP balance, you can either:

- Repay your entire outstanding LLP balance before December 31st of the year you turn 71; or
- You can choose to include in your income each year the required annual repayment, determined by dividing the remaining LLP balance at the beginning of the year in which you turn 72, by the number of years left in your repayment period.

The Lifelong Learning Plan (LLP) is a great financing option for those who are considering using RRSP funds to further their own or their spouse/common-law partner's education. The LLP is both flexible and non-restrictive; it allows up to 10 years for repayment of the borrowed amount, and it does not affect your eligibility for another RRSP program such as the Home Buyers' Plan (HBP).

We're Here To Help

For more information on the Lifelong Learning Plan, please refer to the CRA website at www.cra-arc.gc.ca for a copy of the Lifelong Learning Plan Guide, RC4112.

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