MY EDUCATION
EDUCATION SAVINGS

My goal...

Get my child's education on the ball!

Registered Education Savings Plan • RESP

INDUSTRIAL ALLIANCE
INSURANCE AND FINANCIAL SERVICES INC.

PACIFIC™

The *My Education* RESP and all its advantages:

- Lets you accumulate the funds necessary to finance a child's post-secondary education
- Eligible for a government grant equal to 20% of your annual RESP contributions (up to $500 per year per beneficiary)
- A chance to watch your money grow sheltered from tax
- Flexibility to change or add a beneficiary to the plan
- No minimum annual contribution required
- Access to your capital at all times
- Contribution withdrawals are tax-free
- Possibility of maximizing your returns through a wide range of investments
- Investment income is transferable to your RRSP should the beneficiary choose not to pursue a post-secondary education
- No foreign content limit

A post-secondary education: the most precious gift you can offer!

Our children… our hope for the future. We all want to make sure that they have the best possible tools to be able to succeed in their personal and professional lives.

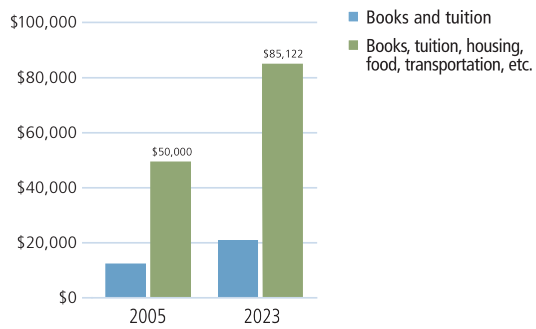
Giving their children access to a post-secondary education is something all parents hope to be able to do. However, with budget cuts being made in the education sector by various levels of government, a constant increase in the cost of a higher education is inevitable.

Unless you decide to take out a loan, it may be quite difficult to find the money needed to pay for a 4-year post-secondary program for just one child. According to Statistics Canada, university tuition fees have risen 135%* in the past ten years!

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

Projections indicate that in 2023, it will cost more than $85,000 for a 4-year university program for a student living away from home.

Cost of a university education over 4 years**



* Canadian average (2001)

** Projection based on a 3% annual inflation rate

Source: Statistics Canada

My goal...

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Will my children go to university?

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

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

Start investing in their future now!

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

The *My Education* RESP can help you start building a promising future for your loved ones, beginning today!

What is a registered education savings plan?

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

Who can subscribe to the *My Education* RESP?

Anyone with an interest in the future of someone close to them can subscribe to the *My Education* RESP according to the features of each plan.

Individual Plans: The subscriber can be a parent, grandparent, godmother, godfather, aunt, friend, etc. In fact, anyone regardless of their relationship to the beneficiary, can subscribe to a *My Education* individual plan.

A post-secondary degree is becoming a necessity.

Family Plans: The subscriber must be related to the beneficiary either by blood or adoption. Consequently, the subscriber must be the beneficiary's parent, grandparent, brother or sister. Aunts and uncles are not included in the list of possible subscribers.

The "plan subscriber" is the person who signs the contract and makes contributions to the plan. A co-subscriber can also take part in the plan.

Who can be designated as a beneficiary of an RESP?

The rules pertaining to beneficiary designation in a *My Education* RESP vary according to the features of each plan.

Individual Plans: Anyone may be named plan beneficiary including your child, grandchild, niece, nephew, etc. No restrictions with regards to parental ties apply to a *My Education* individual plan.

Family Plans: The beneficiary must be related to the subscriber either by blood or adoption Consequently, the plan beneficiary in a family plan must be the subscriber's child, grandchild, brother or sister. Furthermore, the *My Education* family plan allows you to designate one or more beneficiaries.

A child may be designated as the beneficiary[1] of more than one RESP by different subscribers. For example, a parent and a grandparent can both subscribe to separate RESPs for the same child. However, they must be sure to remain within the maximum contribution limits allowed for one beneficiary.

The flexibility of the individual plan allows you to change beneficiaries once the plan has been established. All you need to do is send us written notice of the change, along with the new beneficiary's Social Insurance Number. The family plan allows you to change beneficiaries and also add one or more new beneficiaries to an existing plan.

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

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How much can you save?

With the *My Education* RESP, you are in control. You contribute to the plan at your own pace by making contributions at any time, either in lump-sum amounts ($100 minimum) or through regular payments of as little as $25 per month, per contract, or $10 per month, per beneficiary. There is no required minimum annual contribution. Note that the contributions made as a subscriber are not deductible from your taxable income and therefore will not be taxed upon withdrawal.

The preferred tax treatment provided by RESPs is subject to a $50,000 lifetime contribution limit set by the federal government. It is important to note that the contribution limits apply to the beneficiary and not the subscriber. This means that a parent and a grandparent, for example, can both subscribe to separate RESPs for the same beneficiary.

They must make sure however that they do not exceed the allowable maximum to avoid paying penalty taxes.

Contributions can be made to the plan for a maximum period of 21 years from the effective date of the plan and the RESP must be fully liquidated no later than 25 years after it is set up.

Plan contributions are made at your own pace and accumulate tax free.

Increase your savings with the Canada Education Savings Grant

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

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

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

The CESG accumulates in the RESP on a tax-sheltered basis and forms part of the Educational Assistance Payments (EAP) made to the beneficiary when he/she goes on to pursue post-secondary studies. Furthermore, the CESG has no impact on the contribution limit.

How do I obtain the CESG?

- The CESG is paid directly into the beneficiary's RESP. We apply for the grant on your behalf.
- In order to be eligible for the CESG, the designated beneficiary must have a Social Insurance Number and be a resident of Canada.
- The CESG is available for children aged 17 and under. For beneficiaries who are aged 16 or 17, there are other conditions that must be satisfied in order to be eligible for the CESG.

Quebec Education Savings Incentive (QESI)

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

Alberta Centennial Education Savings Plan (ACES)

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

Please contact your financial advisor for details.

My goal...

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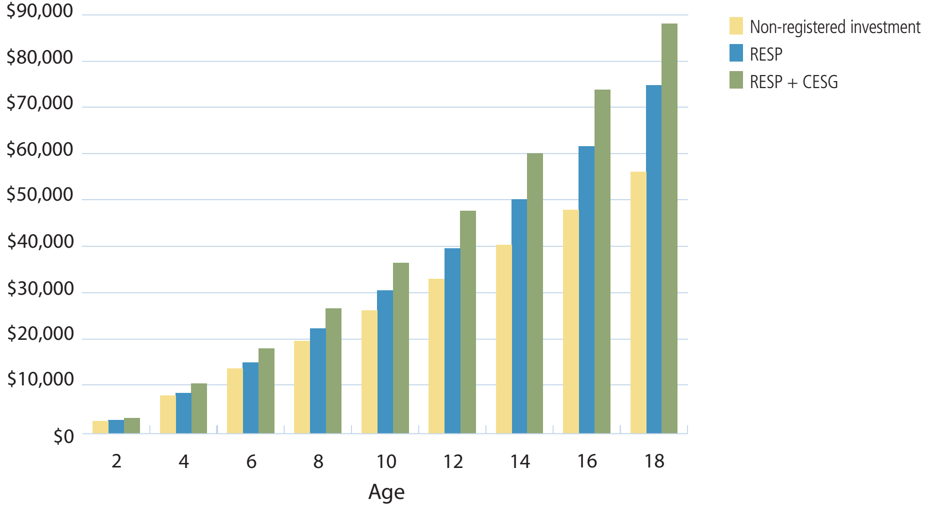
Why choose an RESP as an investment tool?

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

Sample case

You want to invest for two-year-old daughter Laurie's post-secondary education. Thanks to the additional 20% in CESGs generated on annual RESP contributions of $2,500 per year for 17 years, and the growth of tax-sheltered investments, you will accumulate a total of $88,268 in your RESP by the time she turns 18. The same amount invested in a non-registered plan (no CESG) is $56,036, considering a 50% taxation rate. The calculations are based on a 6% annual compound rate of return.

The advantage of combining the CESG with an RESP



Is it possible to carry over the CESG?

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

Example

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

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

Your CESG is retroactive to January 1, 1998.

Find out more today!

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Investment vehicle of the future

With a *My Education* RESP, you choose your investments. When you're investing in something as important as your child's education, the growth and security of your capital are essential to ensuring a promising future.

With this in mind, our Ecoflex investment vehicles will help you meet your financial objectives based on your child's age and your personal investment style.

Ecoflex investments offer you:

- A wide range of guaranteed investments and investment funds.
- Easy access to various financial markets.
- The expertise of leading fund managers such as Industrial Alliance, Fidelity Investments, AGF, CI, State Street Global Advisors, Franklin Templeton Investments, Talvest and Dynamic.
- A guarantee on Ecoflex investment funds that can reach or exceed 100% of your invested capital.

When can I make withdrawals?

You have access to your capital at all times. You can withdraw all or part of your contributions at any time, without ever having to pay income tax.

Note however that these withdrawals could result in restrictions on CESG amounts awarded in the future.

The portion corresponding to investment earnings and the CESG can be paid out to the designated beneficiary when he/she begins post-secondary studies[1].

Individual Plans: The subscriber decides the amount and frequency of payments to be made to the beneficiary. The amounts, which are paid in the form of Educational Assistance Payments (EAPs), can be spread out over many years of study and are included in the beneficiary's taxable annual income.

Family Plans: Subscribers enjoy all the flexibility they need to allocate EAPs as desired to one or more plan beneficiaries. Subscribers can therefore allocate all or part of the investment earnings and CESGs to only one beneficiary or distribute these amounts equally among all beneficiaries designated in the plan. These amounts can be spread out over many years of study and are included in the beneficiary's annual income.

Since student incomes are generally modest, the amount of taxes payable on EAPs will be relatively low. You may also include amounts paid in contributions to EAPs, but these sums are not taxable to the student.

Amounts paid out in the form of EAPs are intended to help pay for tuition and other education-related expenses such as housing, food, school supplies, transportation fees, etc.

The subscriber administers the RESP at all times and may withdraw the invested capital[2] without any impact on their taxable income. However, if a CESG was applied to the amount withdrawn, the corresponding CESG must be repaid in full to the federal government (unless EAPs are being made to the beneficiary).

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

[2] Surrender fees may apply.

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

The *My Education* RESP offers subscribers several options if the beneficiary does not pursue a post-secondary education.

1 Designate a new beneficiary

Individual Plans: You can designate a new beneficiary of your choice. Furthermore, contributions can continue to be made for the duration of the plan.

Family Plans: The subscriber continues to make contributions for other beneficiaries named in the plan. CESGs already paid into the plan remain intact even if they exceed the prescribed limit of $7,200 per beneficiary. It is only when EAPs begin that any CESGs in excess of the allowable limit per beneficiary must be repaid to the federal government, if applicable.

However, to be eligible to keep previously awarded CESGs in either type of plan, the new beneficiary must satisfy one of the following conditions:

- Be under the age of 21 and be the brother or sister of the previous beneficiary.
- Be related to the subscriber either by blood or adoption (like the previous beneficiary). The previous and the new beneficiary must both be under the age of 21.

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2 Transfer investment income to your RRSP

You may withdraw the capital portion of the funds contained in your plan without having to pay taxes. However, investment income generated by contributions and CESGs can be transferred to your RRSP or that of your spouse (tax free) provided you meet the following conditions:

- You have unused RRSP contribution room
- You are a Canadian resident
- The RESP has been in existence for over 10 years
- All plan beneficiaries are over 21 years of age and are not eligible to receive EAPs

The maximum amount in investment income that can be transferred into an RRSP is $50,000. All CESGs must be repaid to the federal government.

3 Withdraw investment income

If you do not have a sufficient amount of unused RRSP contribution room in which to transfer earnings that have accumulated in your RESP, you must withdraw these amounts by the end of February of the year following the end of the plan. This amount will be added to your annual taxable income and will also be subject to an additional 20% tax. You must satisfy the same conditions as those listed in Point 2 in order to withdraw investment income that has accumulated in your RESP.

4 Donate investment income

RESP investment income can also be donated to an accredited educational institution named by the subscriber.

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About Industrial Alliance

Founded in 1892, Industrial Alliance Insurance and Financial Services is a life and health insurance company whose primary mission is to provide financial protection to its insureds and their beneficiaries in the event of death, disability or illness, and to help clients achieve financial independence at retirement while fulfilling their lifelong dreams.

To carry out this mission, Industrial Alliance offers a wide range of life and health insurance products, savings and retirement plans, RRSPs, mutual and segregated funds, securities, auto and home insurance, mortgage loans, and other financial products and services. The fourth largest life and health insurance company in Canada, Industrial Alliance is at the head of a large financial group, which has operations in all regions of Canada, as well as in the Western United States.

Industrial Alliance contributes to the financial wellbeing of over three million Canadians, employs more than 3,300 people, and manages and administers over $51 billion in assets. Industrial Alliance stock is listed on the Toronto Stock Exchange under the ticker symbol IAG. Industrial Alliance is among the 100 largest public companies in Canada.

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