TD Wealth

Continuing education

Using the Lifelong Learning Plan to advance your education

You may be interested in advancing your education at a qualified post-secondary educational institution. To soften the burden of funding continuing education, you may be able to take advantage of the federal government's Lifelong Learning Plan (LLP). It allows you, if eligible, to withdraw funds from your RRSP.

How the LLP works

To qualify, you must be enrolled in a "qualifying educational program" at a "designated educational institution.

A **qualifying educational program** is an educational program that requires students to spend ten hours or more per week on courses or work in the program, and lasts three consecutive months or more.

A **designated educational institution** is a university, college, or other educational institution that qualifies for purposes of the education tax credit that you claim on your tax return. Contact your tax services office if you are not sure whether a particular institution is a designated educational institution.

With regard to age limit, you must have an RRSP and otherwise meet the LLP requirements. In other words, after the year in which you turn 71 and must terminate your RRSP, you are no longer eligible.

Every LLP participant is limited to a maximum RRSP withdrawal under the LLP of $20,000. The annual maximum withdrawal is $10,000.

For example: Nancy decided to return college in 2015. Using the LLP, she withdrew $6,000 in 2015, $11,000 in 2016 and another $5,000 in 2017. As a result, she exceeded the LLP annual maximum of $10,000 in 2016, and had to include $1,000 as income for that year. Further, she exceeded the LLP overall maximum of $20,000 in 2017, and will have to include another $1,000 for the 2017 tax year.

You can take advantage of the LLP more than once. However, the previous LLP withdrawal must have been repaid and you must wait until the year following the last repayment year to make a new LLP withdrawal.

With regard to age limit, you must have an RRSP and otherwise meet the LLP requirements. In other words, after the year in which you turn 71 and must terminate your RRSP, you are no longer eligible.

Ensure you understand whether you and the institution you wish to attend qualify under the LLP rules. Speak with the registrar at the institution. Make sure you have proof of the duration of the program. Obtain the written proof required to make an LLP withdrawal.

Withdrawals from a spousal/common-law RRSP

Using an LLP, you can fund your or your spouse's/common law partner's full-time education. Normally, if you withdraw from a spousal/common-law RRSP set up by your partner within three years of him or her making a contribution the attribution rules deem the funds to be income of the contributor spouse and taxed at their rate. However, for LLP withdrawals, an exception is made. The attribution rules are not applied.

On the other hand, if the LLP funds are not repaid within the 10-year limitation period, the funds will be deemed to be income of the spousal/common-law RRSP annuitant and taxed accordingly. The government permits flexibility with regard to repayment. The person who made the withdrawals can repay the funds to the original RRSP or any other RRSP of which he or she is the annuitant.

If you or your spouse makes an LLP withdrawal, ensure that your tax specialist has the proper documentation to ensure the attribution rules will not be applied. Ask them to track your repayments and ensure you repay the amount required in each year of your repayment period. Speak with your TD advisor about the impact on your overall wealth plan.

Repayment

Over a period of no more than 10 years, you have to repay your LLP withdrawals to your RRSP. Your first repayment year is usually one of the following two years, whichever comes first:

- the second year after the last year the LLP participant was entitled to claim the education amount on the student's income tax return; or
- the fifth year after your first withdrawal under the LLP.

Over a period of no more than 10 years, you have to repay your LLP withdrawals to your RRSP.

Usually, each year you have to repay 1/10 of the total amount you withdrew until the full amount is repaid. You do not have to pay any interest on the amounts you withdrew.

- To make your repayments, you have to contribute to your RRSP in the repayment year, or in the first 60 days of the following year. You can make the repayments to any of your RRSPs with any issuer or you can open a new RRSP.
- You cannot claim a deduction for this amount on your return. You have to designate your repayment for the year by completing a Schedule 7 and filing it with your tax return for the repayment year.

LLP use by a person with a disability

If you have a disability, you may qualify for using the LLP for part-time education. For people with physical or mental disabilities, attendance is permitted at a qualifying educational institution on a part-time basis.

If you have a disability, you may qualify for using the LLP for part-time education.

In order to qualify, you must:

- Be entitled to the federal Disability Tax Credit in the year the LLP withdrawal is made
- Have a medical doctor, optometrist, audiologist, psychologist, speech-language pathologist, physiotherapist or occupational therapist certify that the disability means you can only attend part-time

Get fully detailed, proper documentation from a qualifying medical practitioner to ensure you, as a person with a disability, can make an LLP withdrawal while attending post-secondary education part-time.

Tax impact on RRSP contributions

There is an anti-avoidance rule that prevents a taxpayer from making RRSP contributions and immediately withdraw them under an LLP, thereby getting the funds tax-free. Any contribution made during the 89-day period prior to an LLP withdrawal may not be eligible for a tax deduction. It will be determined by the fair market value (FMV) of the RRSP.

For example: Cameron contributes $7,000 to his RRSP in May 2016. He withdrew $12,000 under an LLP in June 2016. When he made the LLP withdrawal, his RRSP had a FMV of $15,000. To determine the eligibility for a tax deduction:

- *Take the amount of his contribution during the 89-day period prior to the LLP withdrawal: $7,000*
- *Subtract his withdrawal from the FMV of his RRSP immediately after the time of withdrawal: $15,000 - $12,000 = $3,000*
- *Subtract this amount from his initial contribution: $7,000 - $3,000 = $4,000*
  The $4,000 amount is not tax deductible.

Speak to your TD advisor or tax specialist about your intentions to make an LLP withdrawal. Have the calculation showing which amount is tax deductible and which may not be deducted, so you understand the implications of when you make the withdrawal.

Now you can:

- Consider using the LLP to make withdrawals from your RRSP and advance your education
- Think about an LLP withdrawal to fund a spouse/common-law partner's further education
- Gather the necessary information to pursue further part-time education if you are a disabled person
- Review the tax impact of RRSP contributions to fund an LLP withdrawal

09/2017