

## Back to school

Using the Lifelong Learning Plan to continue your education



You may be interested in advancing your education at a qualified post-secondary institution. To ease the burden of funding continuing education, you and/or your spouse may be able to take advantage of the Lifelong Learning Plan (“LLP”). If eligible, it allows you to withdraw funds from your Registered Retirement Savings Plan (“RRSP”) tax-free, provided you repay the funds within the specified repayment schedule.

## How the LLP works

To participate in the LLP, the RRSP owner must be a resident of Canada and the funds may only be withdrawn for your own, or your spouse's/common-law partner's ("spouse") education. The funds can be withdrawn from your own RRSP or a spousal RRSP where you are the owner. In order to qualify, you or your spouse must be enrolled in a qualifying program at a designated educational institution, and only funds that were contributed at least 89 days prior to the date of withdrawal are eligible under the LLP.

A **qualifying educational program** is a full-time education program offered at a designated education institution that requires students to spend ten hours or more per week on courses or work in the program (not including study time), and that lasts three consecutive months or more. Students who meet the conditions related to a disability may enroll on a part-time basis.

A **designated educational institution** is a university, college, or other institution that is certified by Employment and Social Development Canada, and provides courses that develop or improve occupational skills. Contact your tax services office if you are not sure whether a particular institution is a designated educational institution.

Every taxpayer is limited to a maximum RRSP withdrawal of \$20,000, and maximum withdrawal of \$10,000 per calendar year. Since the funds can be used to fund your own education or your spouse's education, if both spouses have RRSP's, each spouse may withdraw up to \$20,000 each, for a combined maximum of \$40,000, and maximum of \$20,000 per calendar year.

### Example:

Nancy decided to return college in 2017. Using the LLP, she withdrew \$6,000 in 2017, \$11,000 in 2018 and another \$5,000 in 2019. As a result, she exceeded the LLP annual maximum of \$10,000 in 2018, and had to include \$1,000 as income for that year. Further, she exceeded the LLP overall maximum of \$20,000 in 2019, and will have to include another \$1,000 for the 2019 tax year.

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

## Repayment

Repayments are required over a period of no more than 10 years, and your first repayment is required the earliest of the following:

- 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.

Each year, you will be required to repay a minimum of one tenth of the total amount withdrawn under the LLP until the full amount is repaid. If the required annual amount is not repaid, this amount must be included as income on your tax return. To make your repayments, you must contribute to your RRSP in the required calendar year, or in the first 60 days of the following calendar year. When filing your tax return, this contribution is designated as a repayment using a Schedule 7. You may make the repayments to any of your RRSPs with any issuer, or you may open a new RRSP. Repayments do not generate a tax deduction on your return.

Contributions, which also include LLP repayments, can only be made up until the end of the year in which the RRSP owner turns 71.

Contributions, which also include LLP repayments, can only be made up until the end of the year in which the RRSP owner turns 71. If there is an outstanding LLP balance at that time, the full amount can be repaid, or the remaining amount is divided by the number of years remaining in the repayment schedule and included as income for the each of those years.

## LLP use by a person with a disability

If you or your spouse has a disability, you may qualify to use the LLP for part-time education as opposed to full-time. In order to qualify, you or your spouse must meet one of the following situations:

- 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.

### Considerations

Work with your TD Advisor to develop the optimal strategy to fund a full-time education program and to determine if the LLP is right for you and/or your spouse.



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