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## Improving Education Savings: Policy Options for Families on Low Incomes



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## Acknowledgements

Momentum is grateful for the valuable insights and feedback provided by:

- OMEGA Foundation / SmartSAVER
- Prosper Canada
- SEED Winnipeg
- Dr. Gail Henderson, Queen’s University  
Faculty of Law

**For more information about this report contact:**

Kelly Dowdell  
Policy and Research Specialist  
[publicpolicy@momentum.org](mailto:publicpolicy@momentum.org)  
<https://momentum.org/>  
403 204 6184

# Improving Education Savings: Policy Options for Families on Low Incomes

## Executive Summary

Parents across Canada work hard every day to provide a solid foundation from which their children can grow and thrive. Over the past several decades, access to post-secondary education (PSE) has become increasingly important for young people seeking a pathway to personal fulfillment and financial stability. Boosting education savings through the Canada Learning Bond and the Canada Education Savings Grant are two ways the Government of Canada supports these efforts but after 15 years, uptake remains low and too many kids are missing out.

This policy paper explores options that would advance the priorities of the Government of Canada to facilitate greater access to and affordability of PSE for young people across the country, particularly those from families with low incomes, by ensuring improved access to the Canada Learning Bond.

## What is the problem?

Education saving accounts like the Registered Education Savings Plan (RESP) are an important tool for disrupting the cycle of intergenerational poverty. Children with education savings accounts are more likely to attend PSE, and graduates of PSE typically earn higher incomes throughout their lifetimes. While additional savings contributions from the federal government through the Canada Education Savings Grants (CESG) and the Canada Learning Bond (CLB) are intended to encourage families to start saving for their children early on, uptake of these benefits has grown slowly, particularly among families with low incomes.

The complex and time-consuming steps involved in opening an RESP, which is required in order access the CESG and CLB, have been identified as common barriers to uptake. In addition to losing out on a financial resource, these children and their families may also miss out on other benefits attributed to having an education savings account like improved child development, the development of greater educational and career expectations, and future financial capability.

## Who does the problem affect?

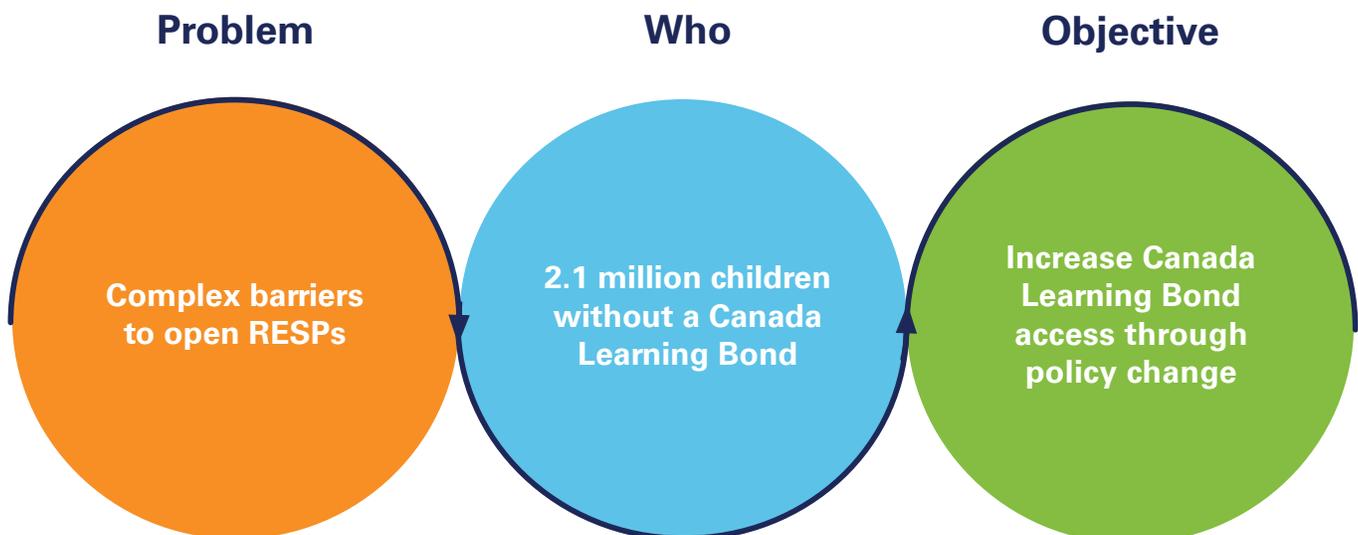
Although PSE enrollment has increased across all income levels in recent decades, young people from families with lower incomes participate in PSE at significantly lower rates than their peers from families with higher incomes. Education grants and loans at the time of attending post-secondary are important in addressing the rising costs of tuition, however the early promotion of education savings is crucial to increasing the number of children who go on to post-secondary education. The federal government introduced the CLB in 2005 to provide families with low incomes with an asset they can grow for the benefit of their children's education goals after high school. Since then, only 40% of eligible children have received the CLB, leaving 2.1 million children without this important asset.

## What are the opportunities for change?

1. **Establish a new Canada Education and Training Account for children that do not have RESPs**, enabling 1.2 million children to access education savings assets amounting to \$183.5 million in the first year alone.
2. **Screen new Canada Student Loan applicants for CLB eligibility**, making it easier for 137,000-144,000 post-secondary students to recover up to \$136 million in unclaimed CLB benefits each year.
3. **Expand the Education Savings Referral Service (ESRS) from Ontario's online birth registration process to other provinces and territories**, supporting an additional 9,000-9,200 children each year across Canada to access between \$4.6 and \$8.1 million dollars of CLB funds.

Momentum encourages the Government of Canada to immediately prioritize the addition of a CLB eligibility screen to the Canada Student Loan application in advance of the 2022 application cycle and to work with provinces and territories to include the Education Savings Referral Service as part of their service modernization plans.

At the same time, a commitment to develop the Canada Education and Training Account would finally address the well-known barriers to CLB access and provide universal access to the CLB for families that struggle and often fail to navigate the complex RESP enrollment process.



## Post Secondary Education and Poverty Reduction

Over the past several decades, access to post-secondary education (PSE) has become increasingly important for young people seeking a pathway to personal fulfillment and financial stability. Graduates of Canada's universities, colleges, and polytechnics have benefitted from consistently higher rates of employment as well as higher median incomes compared to those who do not complete a PSE program. According to the 2016 census, women and men with bachelor's degrees working full time earn median incomes between \$25,000-\$26,000 higher than their respective counterparts with high school diplomas.<sup>1</sup>

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*Education savings accounts are a vital tool in boosting high school completion rates and increasing post-secondary education attainment.*

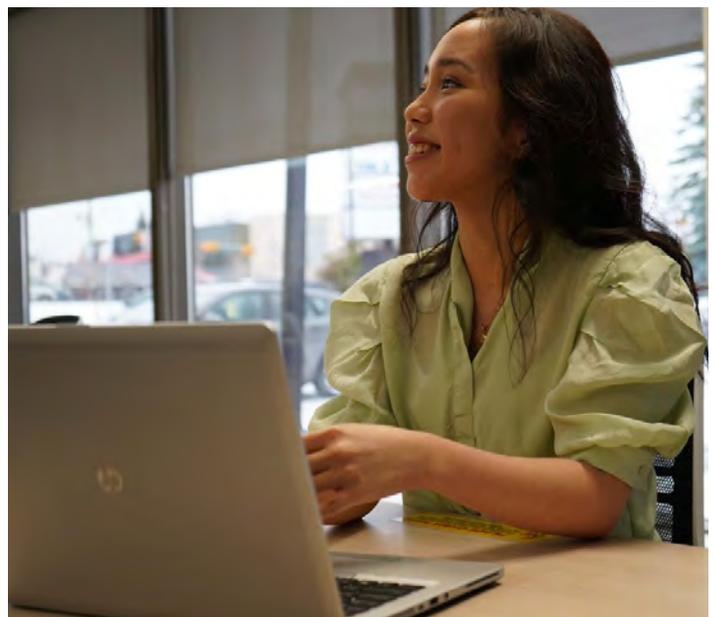
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A 2017 report from Statistics Canada looked at personal income tax filing data between 2001 and 2014 to analyse PSE participation, as determined by tuition, education and textbook credits granted to 19-year-old students, and their families' household incomes.<sup>2</sup> An interesting finding was that, while PSE attendance grew steadily across all income levels, it grew at a faster rate among students from the lower income quintiles. Despite this progress, there was still a significant participation gap among the youth by 2014: 47% of students from the bottom income quintile, and 57% from the second income quintile attended PSE compared to 79% of their peers from the top income quintile.

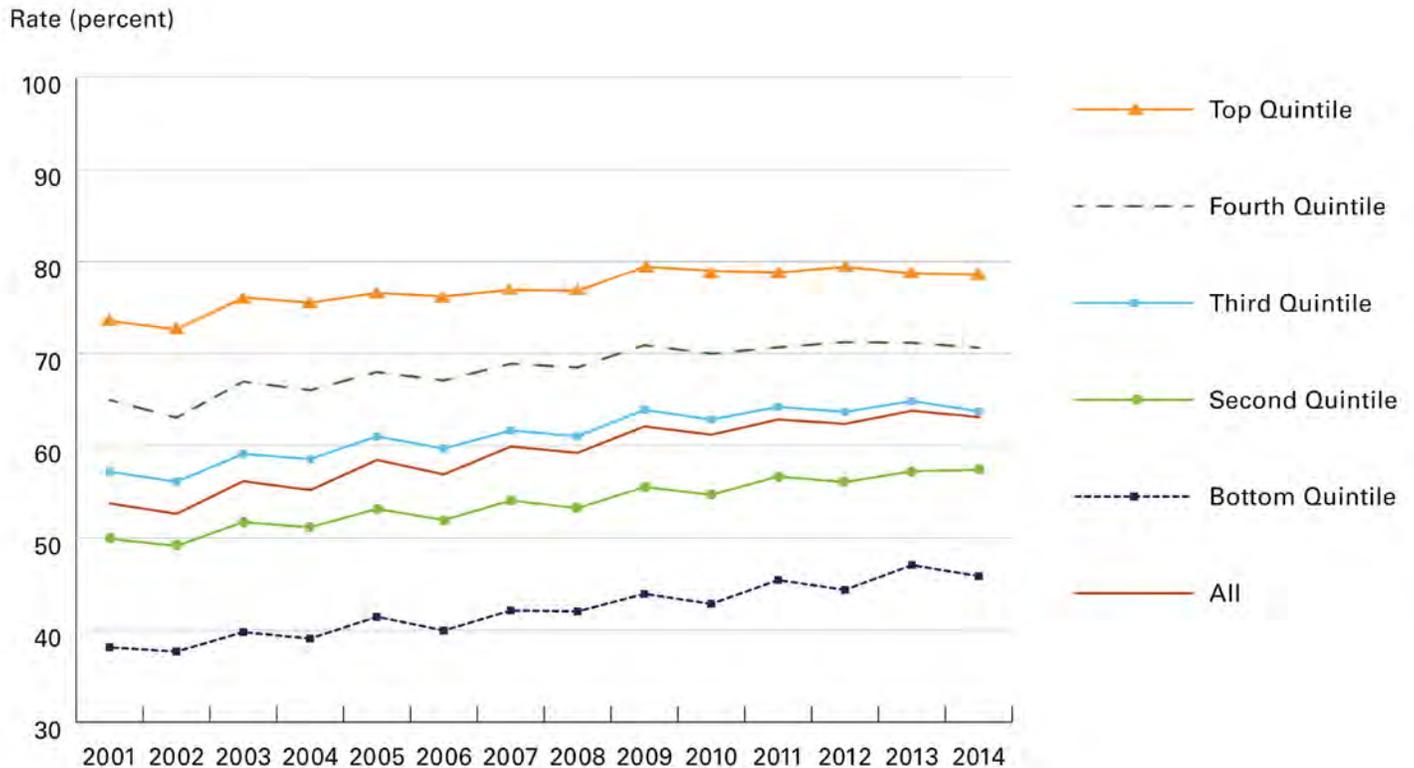
While education grants and loans at the time of attending post-secondary are important in addressing the rising costs of tuition,

education savings are an important factor in increasing the number of children who go on to post-secondary education. A 2003 report on StatsCan's Postsecondary Education Participation Survey showed that youth who have set aside some savings for their education are 50% more likely to participate in PSE than those who have not.<sup>3</sup> A 2017 analysis of savings that were specifically held in RESPs predicted a PSE enrollment gap of 5.9% between 19-year-old students who had an RESP at age 15, and those who did not, after accounting for differences in parental education and academic performance.<sup>4</sup>

The Government of Canada encourages families to save for their children's future education through Registered Education Savings Plan (RESP) accounts. To help build savings habits early on, the federal government contributes additional funds to individual RESPs through the Canada Education Savings Grants (CESG) and the Canada Learning Bond (CLB). Research has shown that education savings accounts are a vital tool in boosting high school completion rates and increasing post-secondary education attainment. They are also connected to improved child development, the development of greater educational and career expectations, and future financial capability.<sup>5</sup>



## Postsecondary Attendance Rate by Parental Income Quintile and Year



Source: Statistics Canada, *Postsecondary Enrolment by Parental Income: Recent National and Provincial Trends*

Momentum sees asset building as a strategic poverty reduction tool that builds resilience and confidence in people living on low incomes. When people build assets, they are more likely to plan for the future and have the resources to further develop their potential.<sup>6</sup>

From 2008 to 2020, Momentum ran StartSmart, a program assisting parents living on low incomes to set up RESPs for their children and to access federal CESG and CLB benefits. Over 6,500 parents and caregivers attended workshops in this timeframe and went on to open a total of 2,188 RESP accounts. As partners in Aspire (Calgary's Financial Empowerment Collaborative), Momentum staff also played a key role in expanding the reach of RESP education and enrollment. Since 2014, Momentum has trained front-line staff and volunteers from 86 community agency partners to deliver StartSmart workshops and help Calgarians living on low incomes to

open RESPs. Of the agencies that provided follow-up data, they reported 3,507 RESPs opened by their participants.

Thanks to funding from Employment and Social Development Canada (ESDC) as well as local charitable foundations and philanthropists, Calgary has become a national leader in promoting education savings, increasing uptake of the Canada Learning Bond from just 20% in 2008 to 52% in 2020.<sup>7</sup> However, the community-based promotion of education savings is resource intensive, especially in rural, remote, and Indigenous communities, and many children continue to miss out on these benefits. This policy paper explores options that would advance the priorities of the Government of Canada to facilitate greater access to and affordability of PSE for young people across the country, particularly those from families with low incomes, by ensuring improved access to the Canada Learning Bond.

## Education Savings Programs in Canada

The federal government supports families in saving for their child's education through two programs: the Canada Education Savings Grant (CESG) and the Canada Learning Bond (CLB).<sup>8</sup>

The CESG was introduced in 1998. It consists of a matching contribution of 20% on the first \$2,500 that a family contributes to their child's RESP account each year up to their 17th birthday. In 2005, the federal government created the Additional CESG (A-CESG) to further support savings efforts of low- and middle-income families. Families can receive an additional 10% or 20% match (depending on household income) on the first \$500 contribution they make to an RESP account each year. The maximum amount the federal government will contribute through the basic and additional CESG is \$7,200.<sup>9</sup>

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***As of 2019, 2.1 million children have not received a Canada Learning Bond benefit, which is 60% of the 3.6 million who have been eligible over the years.***

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The Canada Learning Bond was also introduced in 2005 as a complement to the A-CESG. It consists of an initial benefit of \$500 and subsequent contributions of \$100 each year a child is eligible until the child is 15 years old, for a maximum benefit of \$2,000. Unlike the A-CESG, families that have incomes below the qualifying threshold (\$54,764 for a family of four in 2021) are not required to make a personal contribution to a child's RESP to receive the CLB. British Columbia and Quebec offer provincial education savings incentives similar to these federal programs, as did Alberta between 2005-2015 through the Alberta Centennial Education Savings program.



### Barriers to accessing the Canada Learning Bond

Reporting in 2017 cited government estimates of least \$900 million in CLB benefits going unclaimed by eligible recipients across Canada.<sup>10</sup> As of 2019, 2.1 million children have not received a Canada Learning Bond benefit, which is 60% of the 3.6 million who have been eligible since its inception.<sup>11</sup> The prerequisite of setting up an RESP through a financial institution or other promoter has posed significant challenges to widespread CLB uptake.<sup>12</sup>

A 2018 Canada Learning Bond State of Knowledge report, published by the Innovation Lab within Employment and Social Development Canada (ESDC), summarized the key barriers to CLB uptake for families with low incomes.<sup>13</sup>

To illustrate the impact of some of these barriers, a 2019 study looked at data related to the prerequisites of a child having a Social Insurance Number (SIN) and of parental tax-filing to confirm household income.<sup>14</sup> Among children born between 2004 and 2016, 23% failed to meet one or both of these prerequisites.

When the data was further analysed, the following variables and family characteristics indicated increased incidences of either not having a SIN, not having up-to-date tax-filing, or both:

- Total parental income below \$50,000, 34%
- Parents without a post-secondary degree, diploma, or certificate, 35.9%
- Single-parent family, 32.8%
- Indigenous identity of the child (First Nations, Métis, Inuk, and others), 48.1%
- Residing on First Nations Reserves, 65.5%

Efforts by the federal government to address these barriers have focused on increasing awareness through publicity and marketing strategies, as well as experimenting with behavioural economics approaches to “nudge” families to sign up for RESPs.<sup>15</sup> ESDC has also partnered with community organizations, financial institutions, and other stakeholders across the country to fund innovative practices that increase CLB uptake. The federal government has committed additional funds to expand on these efforts, prioritizing outreach to families on low incomes, those living in Indigenous and remote communities, and newcomers to Canada.

These investments are valuable as they facilitate connections between community practitioners to share strategies, resources, and promising practices with each other to better serve families across the country. Through these efforts, uptake of the CLB has increased from 34.7% in 2016 to 40.7% in 2019.<sup>16</sup> Interestingly though, it was a recent policy change, namely allowing the spouse or common law partner of a child’s primary caregiver to request education savings incentives for the child, that ESDC credits for increasing CLB uptake the most in 2019. Additional policy changes could address the primary barriers to accessing these important education savings benefits.

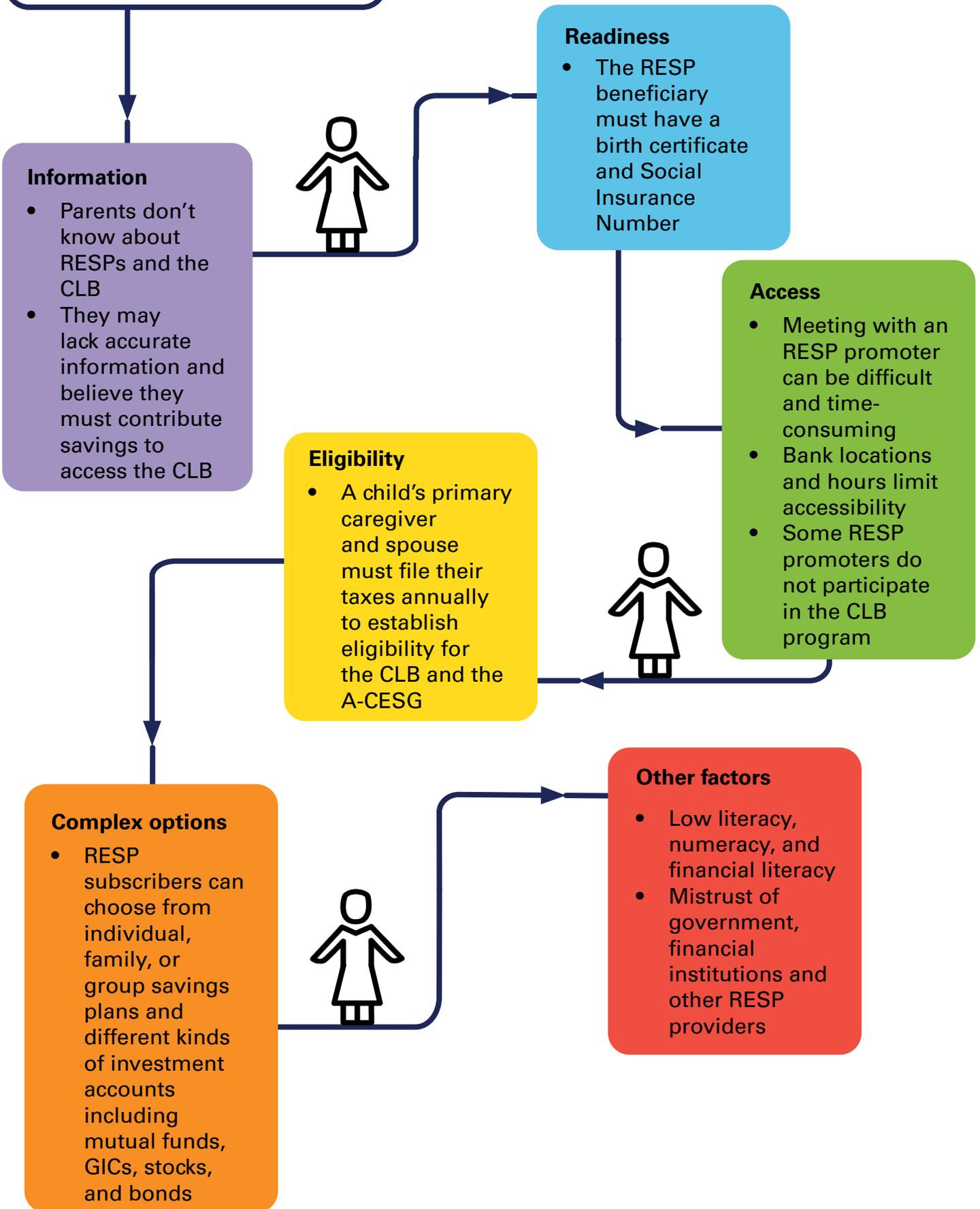
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***Community-based promotion of education savings is resource intensive, especially in rural, remote, and Indigenous communities, and many children continue to miss out on these benefits.***

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**Key barriers to opening an RESP for families with low incomes:**



## Priorities for Change

This report focuses on opportunities to address the challenges to CLB uptake that ESDC, independent scholars, and community practitioners have identified through their research, evaluation, and ongoing work supporting families to open RESPs and access the Canada Learning Bond.<sup>17</sup> The design and outcomes of education savings plans from other jurisdictions were reviewed, and parents and caregivers were invited to share their insights and feedback on the most promising practices.

### Building on Best Practices

Prioritizing policy options began with an examination of successful education savings initiatives in other jurisdictions to understand what contributed to their high take-up rates, particularly among families with low incomes. The analysis focused on key design elements of the savings programs including eligibility (universal or restricted), mechanisms for enrollment and making deposits to the accounts, whether savings incentives were provided by governments or other sources, and any other unique features. Two programs in the United States stood out: SEED OK in Oklahoma, and Kindergarten to College (K2C) in San Francisco.

The United States has tax-advantaged education savings plans similar to the RESP. Commonly known as 529 plans, they are administered at the state level with flexibility for states to determine rules around contributions, withdrawals, and tax benefits. While individual 529 plans are the most common, SEED OK and K2C were designed using an omnibus 529 plan, which allows a single plan coordinator (the Oklahoma state government and San Francisco's treasury department respectively) to open multiple sub-accounts within the plan on behalf of children enrolled in these programs.

The SEED OK program launched in 2007 as an experiment to test different policy aspects of child savings accounts. A random sample of 2,700 primary caregivers for children born that year were assigned into either the treatment or the control group.

The State of Oklahoma opened a SEED OK account within their omnibus account for each child in the treatment group and made an initial contribution of \$1,000 (provided by the Ford Foundation). The government offered an additional incentive of \$100 if the parent opened an individual 529 account for their child, and matched savings deposits to families with low and moderate incomes. Parents in this group also received regular information about their child's SEED OK account and the savings incentives for individual 529 accounts.

While parents in the control group were free to open an individual 529 plan for their child just like any other resident of the state, early results showed that only 2.4% did so in the first 30 months of the experiment.<sup>18</sup> This compares to 17.3% of parents in the treatment group that opened an individual account to compliment the savings held in the OK SEED account.

While treatment children with socioeconomic advantages had higher total savings than the treatment children with disadvantages, the difference was much smaller than the variation observed between children in the control group. The automatic enrollment and initial \$1,000 deposit were identified as the primary factor for this result.

The K2C program in San Francisco incorporates many of the features of OK SEED, with some additional innovations. Beginning in 2011, the municipal government has automatically opened a savings account with a \$50 deposit for each child that registers for Kindergarten. K2C includes children from families that are undocumented, unbanked, in foster care, and experiencing housing insecurity, making it one of the most universal education savings programs in the world.

Thanks to a unique partnership with Citibank, family members can make personal contributions to the accounts through a variety of means and monitor the account through an online portal. The municipal government funds the initial deposit plus an equity deposit for students from low-income households, while a private philanthropic fund provides up to \$90 in bonus deposits to encourage early, regular saving habits.

A 2018 report from the San Francisco Office of Financial Empowerment highlighted the following results from the first years of K2C<sup>19</sup> :

- Nationally, only 3% of families contribute to an education savings account while 18% of families in San Francisco have contributed to their children's K2C accounts.
- On average, families have saved \$730.
- Contributions from low-income families account for 40% of all K2C deposits.

As with OK SEED, these strong saving results are facilitated by features like automatic enrollment, seed deposits, progressive financial incentives to save, easy ways to make contributions, and ongoing engagement with parents regarding the accounts. For parents in Canada, many of the same features are present between the RESP (several ways to contribute), the CLB (initial seed funding), and the CESG (progressive incentives to save). However, the presence of an auto-enrollment function has proven to be a game changer, shaping the design of education savings programs in several other jurisdictions across the United States.

## The Perspective of Parents and Caregivers

With an understanding of the key account features that lead to saving success, the next step was to engage parents and caregivers. To that end, Momentum hosted focus groups with thirteen local participants who had experience trying to open an RESP to access the Canada Learning Bond. In addition to asking participants to share which parts of the process were most challenging or time consuming, we also asked them to imagine that they could design a new system and discussed the different account features that would make it easier to save.

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*Most participants believed that all children in Canada should have an education savings account, and that auto-enrollment would be one of the most beneficial features of a new and improved system.*

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The participants shared challenges that echoed much of the existing research, as well as feedback Momentum staff has gathered from StartSmart participants over the years.<sup>20</sup> It was time consuming to collect their documents, go to the bank, and fill out all the forms – especially if they were opening an RESP for more than one child. Many were unfamiliar with and overwhelmed by all the different saving and investment account options but felt pressured to make a quick decision. In other cases, the RESP promoter that opened their account didn't take the necessary step to assess them for Canada Learning Bond eligibility.

With regards to the different account features, most participants expressed a strong preference for parents to be the primary manager of the savings account over other options like governments or a local school board or community organizations. In discussing their preference, participants shared that parents had the best interests of their child

in mind and would be able to keep better track of the savings. That said, a majority believed that all children in Canada should have an education savings account, and that auto-enrollment would be one of the most beneficial features of a new and improved system. It was important for participants to be able to make contributions to the account via online banking, and they prioritized having no-fee or very low-fee account options over receiving regular account statements.

## Policy Options

The feedback from the focus groups allowed Momentum to approach opportunities for policy change with a fresh perspective. While it was important to find ways to lower as many barriers as possible to opening an RESP, it was also important to acknowledge that for some parents, the barriers will always be too high and that different solutions are needed to support the goals they have for their children's education.

To assist policymakers in assessing these options, Momentum engaged the expertise of economists from Social Research and Demonstration Corporation Canada to conduct an economic feasibility study of each of the policy options. A summary of their analysis is included in the description of the policy options below, while the full report is available online.<sup>21</sup>

### Policy Option #1: Establish a new Canada Education Training Account

As discussed above, the requirement to open an RESP creates significant barriers to accessing the CLB. This merits an examination of an alternative savings account model. Informed by a proposal for a default public savings account, developed by Dr. Jennifer Robson in a 2016 discussion paper, *Enhancing the Canada Learning Bond*,<sup>22</sup> we encourage the Government of Canada to introduce a new Canada Education and Training Account (CETA).

For the purposes of this report, the CETA would be available to all children eligible for the Canada Learning Bond that have not had an RESP account opened in their name. Future research could explore options to transform the CETA into a lifelong learning account for all Canadians. Given the anticipated increase in the need for adults to upskill and reskill to meet changes in the labour market, a public individual development account like the CETA could be designed to better achieve the policy objectives of the CLB early on in a young person's life, and of other government investments in people to upskill or reskill later on in their careers, such as the Canada Training Credit.<sup>23</sup>

The CETA would include the following design and operational elements:

- Following the program start date, and if, after two years of CLB eligibility (continuous or not) a child has not been named as the beneficiary of an RESP, the Government of Canada would open and maintain a CETA on their behalf within a pooled investment account.
- A parent could open an RESP and apply to transfer the balance of their child's CETA at any point. Once a beneficiary turns 18, they can open their own RESP and request a transfer of the CLB funds from their CETA.
- The federal government could apply transitional rules to children with at least one year of CLB eligibility in a defined period before the start date for the revised program.
- The Government of Canada would continue to deposit CLB payments into the CETA in each year that the beneficiary was deemed eligible.
- CETA balances for each eligible child would be communicated annually to families through the annual Notice of Assessment for child benefits.
- CLB funds in the CETA would be paid out either by initiating a transfer into an RESP, or through an integrated

application process with the Canada Student Loans Program.

- As with RESPs, any unused CLB funds in a CETA would revert to the Consolidated Revenue Fund

One design element of the CETA that departs from Dr. Robson's proposal is to replicate the contribution and withdrawal rules governing RESPs. This means beneficiaries would have until age 31 to use CLB funds in the CETA to contribute to an RESP via a transfer, and up to age 35 to withdraw Educational Assistance Payments from their RESP, or direct payments from their CETA via the integrated Canada Student Loan application.

SRDC applied these program design elements and a series of working assumptions to their model to calculate the cost of implementing a new CETA.<sup>24</sup> For simplicity, and to encourage RESPs as the preferred savings vehicle, a key assumption was made that the CLB funds in a CETA would not generate interest. As more parents became aware of the lost interest-earning potential of the savings in their child's CETA, some may be motivated to open RESPs sooner. This assumption results in a steady decline over time of the number of CLB eligible children with a CETA and the corresponding costs of paying out unclaimed CLB benefits. This does not mean that the cost to government is reduced in absolute terms, just that more CLB payments would be transferred through the preferred mechanism of the RESP.

Given a start date of January 1, 2022 to launch the CETA, the SRDC model estimates a transfer of \$183.5 million to 1,243,816 newly eligible CLB beneficiaries. To account for a four-year transitional period encompassing 2018-2021, the first year of the program would also see a one-time, lump sum transfer of \$1.26 billion to 1,824,501 CETA accounts. By 2028, \$163.7 million in CLB benefits would be deposited to 1,109,727 accounts.

With regards to the administrative costs to implement this policy option, SRDC applied the cost of \$8.34 per \$100 of grant and loan amounts, mirroring the program efficiency of the Canada Student Loan Program (CSLP), to the CETA deposits of CLB payments. After a one-time expense of \$10.54 million to administer payments for the transitional years, annual costs between 2022 to 2028 decrease from \$1.53 to \$1.37 million as outlined in Table 14 of the report.

The cost analysis and estimates provide a starting point for discussion based on available data and a specific set of assumptions. For example, the four-year transitional period adds a significant upfront cost to establishing a CETA compared to the other policy options described below and could be shortened to lower the cost. The decision to exclude interest-earning potential within the CETA does not align with the principals of policy equity compared to RESPs and could be revisited with implications for the administrative costs to set up and manage interest-earning investment accounts.

That said, by opening a CETA as soon as a child is eligible for the CLB and communicating with parents of beneficiaries on an annual basis, the government could still inspire the development of greater educational and career expectations seen in other personal savings programs. A default individual savings account like the CETA is also the only policy option that would finally provide an auto-enrollment option and with it, universal access to the CLB. This would mean relief to many parents for whom the process of opening an RESP is too burdensome and to community practitioners and policy advocates who have worked for years to try and increase the CLB uptake.

**Recommendation: The Government of Canada should create a new Canada Education and Training Account for children that do not have RESPs.**

## Policy Option #2: Disburse unclaimed Canada Learning Bond funds through Canada Student Grants and Loans program

The majority of the first cohort of CLB-eligible youth, those born in 2004, are set to graduate high school in 2022. While it is still possible for members of this cohort to be named as a beneficiary of a newly-opened RESP and to have their CLB eligibility assessed retroactively to receive any unclaimed benefits, they have lost out on the interest earning benefits that would have accrued over the course of having an RESP. To avoid the unnecessary burden of opening an RESP for the sole purpose of receiving retroactive CLB benefits, Momentum proposes introducing a CLB eligibility screen to the application process for Canada Student Grants and Loans.<sup>25</sup>

Each year a student applies for a Canada Student Loan, they must disclose their family size and the gross annual income that they and their parents earned the previous year, along with any other financial resources including RESP accounts. This information is verified with the Canada Revenue Agency and used to determine the loan amount and to assess the applicant's eligibility for the Canada Student Grant and corresponding provincial grants.

For children that have not yet claimed their CLB, but for whom their eligibility has been established, a notional account has been set up by ESDC to track the benefit amounts they could access. A process would need to be established to cross-reference loan applicants with the notional account data held by ESDC. This could be a priority project of the ongoing Benefit Delivery Modernization underway through Service Canada.<sup>26</sup> The CLB benefit could then be transferred to

the designated educational institution to cover tuition and other fees through the existing mechanisms used for the Canada Student Grant. As with the CETA, the Canada Education Savings Act would need to be amended to allow CLB funds to be used in this way.

The model used by SRDC analyzed historic and projected tax, population, and program uptake data, shaped by a complex set of assumptions to determine the cost implications of a CLB eligibility screen. To begin, the model indicates that there are 351,590 individuals in the 2004 birth cohort who were eligible for one or more CLB payments by their 16th birthday and that approximately 141,000 of them have not had an RESP opened in their name. If every one of these 141,000 individuals were to register for a post-secondary program and be screened for CLB eligibility, the federal government would require an estimated budget of almost \$213.7 million to cover the cost of the previously unclaimed CLB benefits. A more realistic assumption, based on studies of the impacts of income and education savings on PSE enrollment, is that 64.9% of these students without RESPs would enroll in PSE, accessing just under \$138.7 million in unclaimed benefits in 2022.

As with the policy option described above, SRDC assumes that RESP uptake will increase in subsequent years, thus reducing dependence on the student loan application process to access retroactive CLB benefits. Similarly, the administrative costs for the CLB eligibility screen are assumed to match the efficiency of the Canada Student Loan Program (\$8.34 for every \$100 benefit). The resulting costs, summarized in Table 11 of their report, start at \$1.16 million in 2022 and decrease to just over \$950,000 by 2028. It is possible that the actual administrative costs would be much lower given that the CLSP includes administrative features like more complex eligibility considerations and the tracking and enforcement of repayment.<sup>27</sup>

An important secondary benefit of having an education savings account from an early age is the effect it has on encouraging a young person's aspirations to attend PSE. Waiting until a student is applying for a loan to pay out unclaimed benefits will do little to maximize the non-financial benefits of children's education savings accounts. That said, providing CLB payments through this mechanism could reduce student debt loads which are higher among low-income households.<sup>28</sup> Implementing this policy could also serve as an interim solution to distribute unclaimed CLB benefits to individuals that would not be captured by the introduction of the CETA. It could reduce the need for a transition period and the corresponding cost, and would eventually be phased out.

Time is of the essence as the majority of students born in 2004 will be graduating in June 2022. This is a more affordable policy option for the federal government than the CETA and many of the systems and mechanisms are already in place to make it happen.

**Recommendation: The Government of Canada should implement a CLB eligibility screen to disburse unclaimed CLB benefits through the Canada Student Grants and Loans Program.**

### **Policy Option #3: Expand the Education Savings Referral Service (ESRS) from Ontario's birth registration process to other provinces and territories**

The earlier a child has an RESP opened in their name, the longer they can benefit from the interest-earning potential of family and government contributions to the account. All provinces offer integrated birth registration forms, either online or on paper, that allow parents to order a

birth certificate, apply for a child's Social Insurance Number through Service Canada's Newborn Registration Service, and apply for federal and provincial child benefits through the Canada Revenue Agency's Automated Benefits Application. Public information for the three territories shows that the Government of the Northwest Territories offers the Automated Benefits Application service with expansion to Yukon and Nunavut expected soon.<sup>29</sup> Currently, none of the territories appear to enable parents to apply for their child's SIN as part of the birth registration process.

This integration offers a streamlined process for parents to acquire the necessary documents and identification to open an RESP for their child and to establish eligibility for the CLB (presuming the primary caregiver has filed their taxes). In fact, the implementation of these birth registration bundles has led to a significant increase in the number of children who have a SIN. As of 2016, 73.9% of children born in 2004 had a SIN, whereas 92.5 % of children born in 2015 had one.<sup>30</sup>

In 2018, Employment and Social Development Canada and the Government of Ontario introduced the Education Savings Referral Service (ESRS), enabling new parents to request a referral to an RESP promoter as part of the online birth registration process. Through this partnership, parents can select their preference from a list of participating RESP promoters and give consent to Service Ontario to share their contact information with the promoter to initiate the RESP sign-up process.

Based on the analysis done by SRDC, the ratio between the number of first-time CLB beneficiaries and the number of CLB-eligible children in Ontario was 53.5%, in 2017 and increased to 65.3% in 2018.<sup>31</sup> This increase of 11.8% in first-time beneficiaries cannot be attributed exclusively to the ERSR,<sup>32</sup> but it is

a helpful reference point to understand the potential impact of replicating the service in other provinces and territories.

Applying the 11.8% increase to the projected population of CLB-eligible newborns in provinces and territories outside of Ontario, SRDC estimates that the federal government could disperse an additional \$4.6 million in CLB benefits in 2022. The amount would increase to an estimated \$8 million as of 2028, accounting for payments to children who remain eligible for the CLB over multiple years.<sup>33</sup> The program delivery cost of the Canada Education Savings Program is estimated at 1% of the combined CLB and CESG/A-CESG benefit payments each year. SRDC estimates that the expansion of the ESRS would result in additional costs of \$153,000 in 2022 to \$1,210,000 in 2028. These calculations are based on the cost of the additional CLB payment amounts presented in Table 5 of their report, as well as the upper bound estimates of additional CESG/ACESG payments to these same beneficiaries based on contribution data of existing RESP holders. The estimated program delivery cost might have been overstated because of the imprecise estimates related to CESG/A-CESG payments.

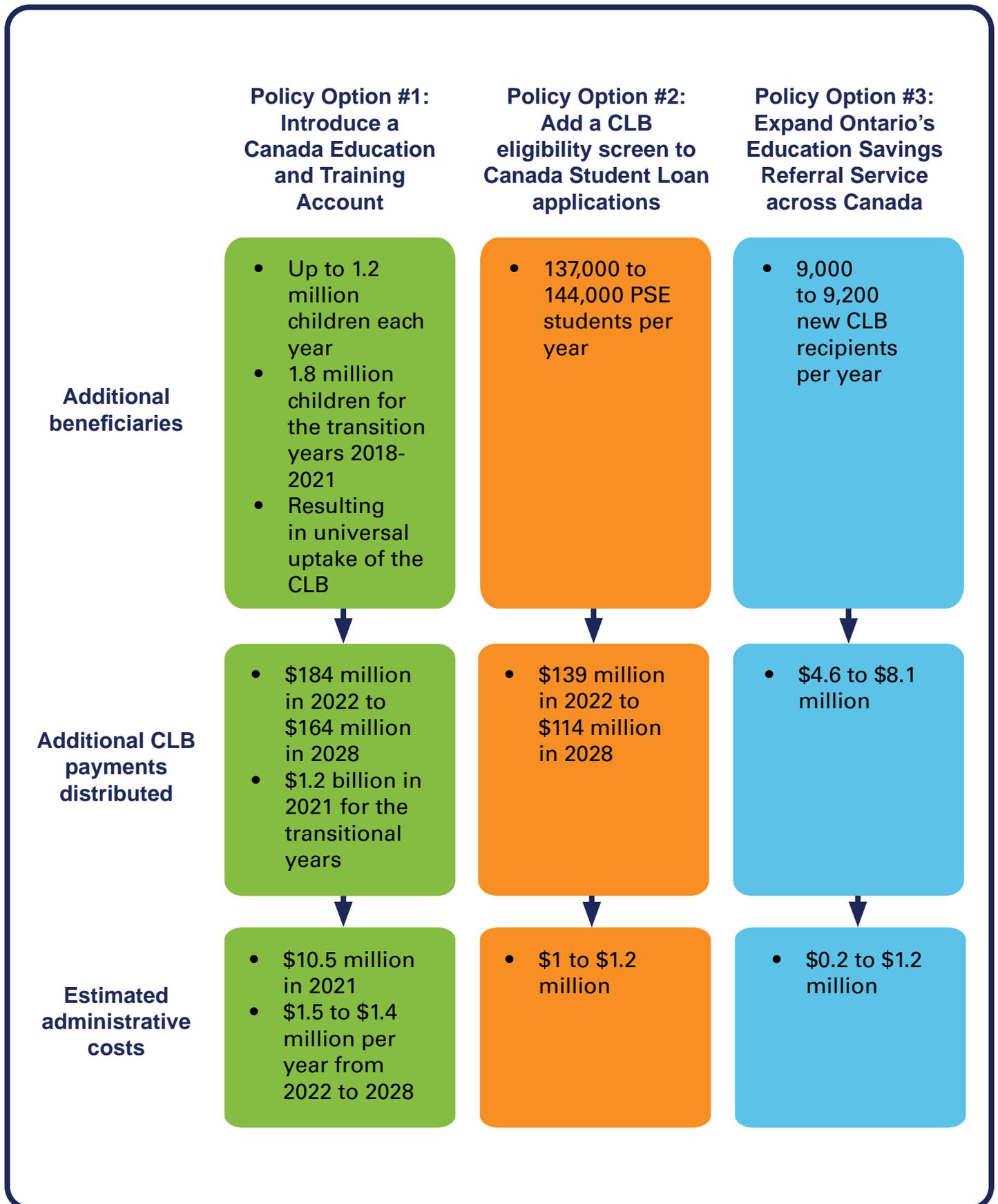
The foundational investments made to set up and administer the ESRS in Ontario mean that provinces wishing to adopt this service need not reinvent the wheel. The policies, data sharing agreements, IT systems, and partnership agreements with RESP providers can all serve as templates, taking advantage of provincial and territorial initiatives to improve online access to government services. For example, the Government of Alberta committed \$10.7 million in its most recent budget to modernize registry services and expand access through MyAlberta eServices in 2021-22. This is an opportune time for the federal government to work with the provinces and territories to build on Ontario's success.

To complement the expansion of the ESRS, Momentum also asked SRDC to calculate the cost of providing families with a birth certificate for their child(ren) free of charge. The fee for a birth certificate ranges from \$10 in Nunavut and the Yukon Territory to \$40 in New Brunswick and Saskatchewan. Community organizations that support families with low-incomes to open RESPs frequently identify the cost of acquiring a birth certificate as a barrier.<sup>34</sup> In Alberta, the cost would range from \$1.1 to \$1.2 million a year, which is around 0.2% of Service Alberta's annual budget.<sup>35</sup> While it's true that the majority of families who would benefit from this policy change do not have low-incomes, it would be a nominal cost for each province to absorb to ensure all its residents have access to this foundational proof of identity.

The ESRS has shown potential for increasing CLB uptake in the short time it has been available to parents in Ontario. Referrals to and outreach from RESP promoters would support parents of newborns who are ready to open an RESP, freeing up existing community resources and programs to support parents and caregivers with more complex barriers.

**Recommendation: The Government of Canada should consider replicating the Education Savings Referral Service in provinces and territories across the country to further leverage the investments they have made in recent years to promote uptake of the Canada Learning Bond.**

## Summary of Policy Options, Impacts, and Costs



## Looking Ahead

Parents across Canada work hard every day to provide a solid foundation from which their children can grow and thrive. Boosting education savings through the Canada Learning Bond and the Canada Education Savings Grant are two ways the Government of Canada supports these efforts; however, after 15 years, uptake remains low and too many kids are missing out.

Of the three policy options presented here, we encourage the government to immediately prioritize the addition of a CLB eligibility screen to the Canada Student Loan application. Implementing this change before the 2022 application cycle begins has significant potential to help eligible students claim their CLB benefit. The CLB eligibility screen would eventually become obsolete with the introduction of the CETA.

Federal leadership and investment to improve access to services and benefits, in coordination with provinces and territories, should also continue. This is an opportune moment to leverage planned federal and provincial spending on system upgrades and modernization to extend the Education Savings Referral Service (and the Automated Benefits Application, Newborn Registration, and community tax filing services where applicable) across the country. These investments are key to assisting the families that have faced the most challenges in securing the proper identification and establishing eligibility for the CLB.

However, it is the proposal for a Canada Education and Training Account that holds the most potential to satisfy the Government of Canada's dual priorities of improving PSE affordability and access for young people from families with low incomes, while also supporting the non-monetary benefits of asset building through individual development accounts. The cost of PSE can deter qualified students from completing

preparatory coursework and exams, and from applying, even when generous financial aid options are available.<sup>36</sup>

The federal government has taken important steps in recent years to remove barriers to other important benefits including Old Age Security and the Guaranteed Income Supplement for seniors and the Canada Worker Benefit for those earning low incomes through employment. They have done so by implementing auto-enrollment mechanisms that are triggered by an event such as reaching an eligible age, or when an individual files their taxes. This is not currently possible under the existing CLB program model, given the built-in path dependency of opening an RESP first.<sup>37</sup>

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### *The Canada Education and Training Account would finally address longstanding calls for an auto-enrollment option.*

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The CETA, as proposed, is not designed to replace RESPs, nor is it designed to make the important education and outreach efforts of the government and its network of community partners obsolete. Instead, it would provide an alternative for families that struggle and often fail to navigate the complex RESP enrollment process. A commitment from the Government of Canada to develop the Canada Education and Training Account would finally address the longstanding calls from these families, as well as from leading academic researchers and community practitioners, for an auto-enrollment option. **All families in Canada should have universal access to CLB funds to build this important asset for their children's future.**

## Endnotes

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24. See pages 20-21 of the SRDC report for the full list of working assumptions
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31. SRDC explains, “the ratio between the number of first-time CLB beneficiaries and the number of first-time CLB-eligible children is not the participation rate of first-time CLB-eligible children. The CLB program could be retroactive. This ratio is used only as a proxy to understand policy impact.”

32. Other sources could include first time RESP enrollment of non-newborns including older children for whom first time or retroactive eligibility was established.
33. For the breakdown by province and explanation of source data, see Table 5 (pg. 10) of the SRDC report.
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37. Incidentally, similar path dependency challenges impede enrollment in Registered Disability Savings Plans and access to the Canada Disability Savings Bond, forcing the federal government seek solutions for this benefit as well.

## About Us

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Momentum works with people living on low incomes and partners in our community to create a thriving local economy for all. We offer programs to increase people’s connections, skills, income and assets; support communities and businesses with resources to build the local economy; and advance systems change for poverty reduction and community economic development through policy research and advocacy.

Momentum will be publishing an evaluation of our Education Savings work in Summer 2021. **Learn more about our work at [www.momentum.org](http://www.momentum.org).**

**This report was published thanks to funding from:**



Max Bell  
Foundation

