

LIFELONG LEARNING PLAN (LLP)

The LLP is a program that allows eligible individuals to make tax-free withdrawals from an RRSP to finance full-time education for themselves or their spouses.

ELIGIBILITY

Since 1998, RRSP annuitants are able to make tax-free withdrawals from their RRSP (other than a locked-in RRSP) to finance full-time training or education for themselves or their spouses/common-law partners. Withdrawals may not exceed \$10,000 in a year. More than one withdrawal may be made in any given year from any number of specific RRSP accounts, provided that the annual limit is not exceeded. Withdrawals under this plan are permitted for a withdrawal period of up to four calendar years, provided that the total amount withdrawn does not exceed \$20,000. However, the withdrawal period for a participant in the plan must end before the start of a year for which repayment by the participant is required.

RRSP funds may be withdrawn under the plan where the recipient, or the recipient's spouse or common-law partner, is enrolled, or committed to enroll, as a full-time student in a qualifying educational program of at least three months' duration at an eligible educational institution. However, a disabled student may qualify as a student under the plan whether or not studying on a full-time basis. Where the recipient's spouse or common-law partner, the enrollment must occur in the year of the RRSP withdrawal or before March of the following year.

Special rules apply where RRSP funds are withdrawn under the plan and the student does not finish the qualifying educational program. Under these circumstances, an RRSP withdrawal in respect of a program is still considered to have been received under the plan if any of the following three conditions are met:

- (a) the student withdraws from the program more than two months after the year of the RRSP withdrawal;
- (b) less than 75% of the student's tuition is refundable as a consequence of leaving a program; or
- (c) the student enrolls in another qualifying educational program before April of the year following the year of the RRSP withdrawal.

In all other cases, the RRSP withdrawal will be included in the recipient's income unless the recipient repays the RRSP withdrawal and files an approved form with the CRA. Where this procedure is followed, the RRSP withdrawal is not included in computing income and the recipient is treated as having not participated in the plan.

Under the LLP, RRSP annuitants are permitted to withdraw funds in respect of the education of themselves or their spouses/common-law partners, but they cannot have a positive LLP balance in respect of the education of more than one individual. This restriction limits administrative complexity associated with the calculation of repayments required under the Plan. Nonetheless, both spouses/common-law partners could withdraw funds from their RRSPs in respect of the same spouse/common-law partner.

REPAYMENT PERIOD

RRSP withdrawals under the LLP are repayable to the withdrawing individual's RRSPs in equal installments over a 10-year period, beginning no later than 60 days following the fifth year after the year in which the individual first received the funds. However, repayment will be required to start earlier if the student fails to qualify for a full-time education tax credit for at least three months in two consecutive years that end before that fifth year. Where this failure occurs, repayment is required to start within 60 days following the second of those years. In short, a full-time student is expected to spend 9 months a year in school, counting the month in which the program commences and the month in which it ends. As under the Home Buyer's Plan, any amount not repaid for a year as required by the recipient will be included in computing the recipient's income for the year and a recipient will be permitted to repay amounts faster than required.