Lifelong Learning Plans (LLPs)

While registered retirement savings plans (RRSPs) are intended to help Canadian residents invest in their future, borrowing funds from your RRSP to finance education is also an investment in your future.

The Lifelong Learning Plan (LLP) provides an opportunity for individuals who want to advance their education but do not have funds other than those inside an RRSP. The LLP provides an interest-free loan from an RRSP for qualifying individuals. It allows an individual to withdraw up to $10,000 a year from his or her RRSP to finance his or her own or a spouse's or common-law partner's (the "LLP student") full-time education or training at a qualifying educational institution. If the LLP student is disabled, he or she may qualify for the LLP, even if attending on a part-time basis. Each individual is limited to a $20,000 withdrawal in total over a four-calendar-year period while enrolled in a qualifying program.

Conditions that must be met before withdrawal

Before a withdrawal is made, the LLP student must be a Canadian resident, and

- be enrolled on a full-time basis[1] in a qualifying educational program (see below) at a designated educational institution (see next page), or
- have received a written offer to enrol (or conditionally enrol) before March of the year following the LLP withdrawal in a qualifying educational program at a designated educational institution.

Qualifying educational program

A qualifying educational program is an educational program that is at least three consecutive months in length and requires the student to spend at least 10 hours per week on courses or work in the program at a designated educational institution.

Designated educational institution

A designated educational institution is any of the following:

- A university, college or other educational institution in Canada that is designated as a specified educational institution under the *Canada Student Loans Act*, the *Canada Student Financial Assistance Act* or under an *Act Respecting Financial assistance for Education Expenses* (Quebec)
- An educational institution in Canada certified by Employment and Social Development offering courses (other than courses designed for university credit) that provide skills for, or improve a person's skills in, an occupation
- A university outside of Canada, in which the student is enrolled, providing the course is not less than three consecutive weeks in duration and leads to a degree at the bachelor level or higher

[1] Individuals who meet one of the disability conditions may be enrolled on a part-time basis and participate in the LLP. Determination of full- and part-time student enrolment is decided by the educational institution.

- An educational institution in the United States (U.S.) where the student resides in Canada (near the Canada-U.S. border) but attends (commutes) to a university, college or other educational institution in the U.S. providing courses at a post-secondary school level

Qualifying student

A qualifying student, for any month in a taxation year after 2016, is an individual enrolled in a qualifying educational program as a full-time student at a designated educational institution.

If requested by the minister, the student must provide proof of enrolment by filing a certificate in prescribed form issued by the designated educational institution containing prescribed information.

Further, if the student is enrolled at an educational institution certified by the Minister of Employment and Social Development, the student must have attained 16 years of age by the end of the year and is enrolled in the program to obtain or improve the individual's skills in an occupation.

Part-time studies may qualify where the student meets the disability conditions. The student must be enrolled in a qualifying educational program but without the condition that they spend at least 10 hours or more per week on courses or work in the program. Meeting the disability conditions is discussed in more details under "Disabled students" below.

Maximum withdrawal from an RRSP

You can borrow up to $10,000 a year from an RRSP under the LLP. The maximum total withdrawal is $20,000 over a four-year period. Any withdrawals in excess of the annual $10,000 limit and/or the cumulative $20,000 four-year limit will be included in your income.

Example 1 – Maximum withdrawal

In 2017, Lynn decided to return to college. She withdrew $5,000 under the LLP in 2017, $13,000 in 2018 and $7,000 in 2019. In 2018, since her withdrawal exceeded the annual limit of $10,000, she had to include $3,000 in her income for that year. In 2019, her withdrawal made her cumulative withdrawals ($5,000 + $10,000 + $7,000 = $22,000) exceed the participation limit of $20,000, so she must include $2,000 in her income for that year.

Spousal or common-law partner RRSPs

If your spouse or common-law partner contributes to a spousal or common-law partner RRSP under which you are the annuitant during any of the last three years, any qualifying withdrawal made by you under the LLP will not be attributed back to your spouse or common-law partner as would normally be the case. If the money is not used to finance a post-secondary education, amounts not repaid to the RRSP must be reported as income of the spouse or common-law partner who withdrew the money (i.e., the annuitant). When the participant repays the withdrawals from the RRSP, the repayments can be made to any RRSP or pooled registered pension plan (PRPP) under which the participant is the annuitant (RRSP) or member (PRPP).[2]

Group RRSPs

If you contribute to an employer-sponsored group RRSP, you may be penalized for early withdrawals, depending on the terms and conditions of the plan. Ask your employer for more details.

Use of funds

As long as the LLP student is enrolled in a qualifying program at a designated educational institution, the person who made the withdrawal has complete control over the use of the funds. The funds can be used for purposes other than education costs. No proof of expenses is required.

[2] LLP repayments can be made into an RRSP or PRPP of the individual. However, LLP withdrawals may only be facilitated through an RRSP.

Can I participate in the LLP more than once?

Yes. However, all amounts previously received under the LLP must be repaid before the beginning of the year of re-participation. In other words, you cannot repay a balance owing and re-participate by withdrawing again later that year. You must wait until at least the following year.

Disabled students

If the LLP student has a mental or physical disability, then he or she may attend a designated educational institution on a part-time basis. In order to qualify, the disabled LLP student must either:

- be entitled to the disability tax credit in the same year the LLP withdrawal was made; or
- have submitted a signed letter from a medical professional (a medical doctor, an optometrist, a speech-language pathologist, an audiologist, an occupational therapist, a physiotherapist, or a psychologist) stating that the student cannot be reasonably be expected to be enrolled as a full-time student because of the mental or physical impairment

What if I make a withdrawal from my RRSP and neither my spouse or common-law partner nor I pursue a qualifying post-secondary education?

If you (the participant) satisfied the criteria to make the LLP withdrawal, but then the student does not meet the conditions of the LLP program, you generally have until December 31 of the year following the year in which you made the withdrawal to return the funds to your RRSP and cancel your participation. If the funds are not returned, the amount withdrawn will become taxable in the year withdrawn.

Example 2 – Failure to enrol

Bill received a written offer to enrol in a qualifying program in January 2019. He withdrew $10,000 in October 2018; however, he did not enrol at the designated educational institution. Bill must repay the funds and cancel his participation by December 31, 2019. Otherwise, the amount will be included in his income for 2018.

How do these withdrawals affect new RRSP contributions?

An anti-avoidance rule exists that prevents people from simply contributing to an RRSP for the tax deduction and then cashing it out tax-free as a withdrawal under the LLP. The tax rules state that RRSP contributions made during the 89-day period prior to withdrawal under the LLP may be ineligible to be deducted from income in any year.

To determine the amount of non-deductible RRSP contributions, subtract the fair market value of the particular RRSP immediately after the withdrawal under the LLP from all amounts you contributed to that plan during the 89-day period prior to the withdrawal. Note that these rules apply on a plan-by-plan basis. You must look at the fair market value of each RRSP from which you withdrew under the LLP separately to determine if a contribution is deductible.

Example 3(a) – Effect on RRSP contributions

John contributes $5,000 to his RRSP on April 1, 2019. In June 2019, within the 89-day period, John withdraws $10,000 under the LLP in order to go to school. At the time of withdrawal, the fair market value of his RRSP was $13,000.

Is any amount of the $5,000 contribution non-deductible?

Total amounts contributed to the RRSP during the 89-day period prior to John's withdrawal under the LLP:	$5,000
Less the fair market value of the RRSP immediately after the withdrawal ($13,000 – $10,000):	$3,000
Amount that is not deductible in any year (if negative, enter 0):	$2,000

Example 3(b) – Effect on RRSP contributions

Samantha contributes $5,000 to her RRSP on April 1, 2019. In June 2019, within the 89-day period, she withdraws $10,000 under the LLP in order to go to school. At the time of withdrawal, the fair market value of her RRSP was $20,000.

Is any amount of the $5,000 contribution non-deductible?

Total amounts contributed to the RRSP during the 89-day period prior to withdrawal under the LLP:	$5,000
Less the fair market value of the RRSP immediately after the withdrawal ($20,000 – $10,000):	$10,000
Amount that is not deductible in any year (if negative, enter 0):	$0

Repayment under the LLP[3]

Under the LLP, for taxation years prior to 2017, the participant must repay his or her RRSP or PRPP over a 10-year period, beginning the earlier of

- the fifth calendar year after the year of the first withdrawal, or
- the second consecutive year for which the student cannot claim the education credit for at least three months.

For taxation years after 2016, the participant must repay his or her RRSP or PRPP over a 10-year period, beginning the earlier of

- the fifth calendar year after the year of the first withdrawal, or
- the second consecutive year for which the student is no longer considered a qualifying student for at least three months.

Every year, the participant must repay a portion of the amount borrowed from his or her RRSP, starting with one-tenth of the outstanding balance in the first year. These repayments are not considered RRSP contributions and are not tax-deductible. Repayments do not have to be made to the same RRSP as the withdrawal. Rather, they can be made to any RRSP or PRPP for which the participant is the annuitant (RRSP) or member (PRPP) in the year of repayment or within the first 60 days after that year. A designation of repayment can be made by the participant on Schedule 7 of his or her income tax return for that year. Any amounts not repaid are taken into income for that year.

LLP participants who have an outstanding balance at the end of the year must file a tax return each year until the LLP withdrawals have been fully repaid, even if the participant doesn't owe tax.

In order to be eligible to make LLP repayments over a 10-year period, the LLP student has to continue to be enrolled at the end of March of the year following the LLP withdrawal, unless the student has already completed the program by then. If the LLP student leaves the program before April of the year following the withdrawal, repayments can still be made over a 10-year period if less than 75% of the student's tuition is refundable. If 75% or more of the LLP student's tuition is refundable, the LLP withdrawal must be cancelled.

Every year, the CRA will send the participant an LLP Statement of Account with his or her notice of assessment (reassessment) that will show what has been repaid, the balance remaining to be repaid and the minimum repayment for the next year.

Example 4 – Income inclusion for non-repayment

Emily made a $5,000 LLP withdrawal in each of September 2011, 2012 and 2013 for a total of $15,000. She attended a three-year program, which ended in April 2014. Her first repayment of $1,500 will be due in 2016. If she decides to repay less than the required amount, the difference will be included in her income for that year. If she decides to repay more than the required amount, it will affect her total balance owing and her annual minimum payment will be recalculated based on the amount outstanding and the number of years left in her repayment schedule.

Year	Amount required to be repaid in year	Amount Emily repaid to RRSP (assumed)	Taken into income	LLP balance
2016	$1,500[4]	$ 0	$1,500	$13,500
2017	1,500	1,000	500	12,000
2018	1,500	1,500	0	10,500
2019	1,500	3,000	0	7,500
2020	1,250[5]	1,000	250	6,250
2021	1,250	0	1,250	5,000
2022	1,250	1,250	0	3,750
2023	1,250	1,250	0	2,500
2024	1,250	1,250	0	1,250
2025	1,250	1,250	0	0

[3] The 2016 Federal Budget eliminates the education and textbook tax credits and, as a result, introduces some changes to the LLP program as it relates primarily to the repayment period. The changes are effective for each year after 2016.
[4] Calculated as $15,000 (total eligible amounts) ÷ 10 (number of years in repayment period).
[5] Calculated as $15,000 (total eligible amounts) − $5,500 (repaid to RRSP) − $2,000 (taken into income) ÷ 6 (number of years remaining in repayment period).

Example 5(a) – Pre-2017 repayment timing

In June 2012, Julie received an offer to enrol in a two-year college certificate program. She enrolled in the program in September 2012 and completed the program in April 2014.

She made withdrawals under the LLP in 2013 and 2014. Julie's repayment period will begin in 2016 since she will not qualify for the education amount for at least three months in 2015 or 2016.

Example 5(b) – Post-2016 repayment timing

In June 2017, Julie received an offer to enrol in a two-year college certificate program. She enrolled in the program in September 2017 and completed the program in April 2019.

She made withdrawals under the LLP in 2018 and 2019. Julie's repayment period will begin in 2021 since she will not qualify as a qualifying student for at least three months in 2020 or 2021.

Example 6 – Post-2016 repayment timing

In June 2014, Henry received an offer to enrol in a four-year university program. He enrolled in the program in September 2014 and continued in the program throughout 2015, 2016 and 2017. In 2018, after completing his degree, Henry decided to continue his education in a post-graduate program from September 2018 until August 2019. He made withdrawals under the LLP in 2014, 2015, 2016 and 2017. Although he was still enrolled in a qualifying program at a designated institution in 2018 and 2019, Henry could not withdraw any more funds under the LLP since it is limited to four years per participation. His repayment period will begin in 2019, the fifth calendar year after the year of the first withdrawal.

What happens if the participant becomes a non-resident of Canada?

If the participant becomes a non-resident, he or she has 60 days to repay the outstanding balance on his or her LLP, which must be done before the tax return for the final year of residency is filed. Any amount that has not already been repaid or taken into income in an earlier year will be included in the participant's income for the year when he or she ceased to be a Canadian resident.

Example 7 – Income inclusion due to emigration

Alex made a $10,000 LLP withdrawal in 2015. His repayment period began in 2017, at which time he made a $1,000 repayment. In 2018, he made a $500 repayment in September. On November 15, he became a non-resident. He has until January 13, 2019 to repay the outstanding balance of $8,500 ($10,000 –$1,000 – $500). On January 10, before he filed his tax return for 2018, he made an additional repayment of $1,000. As a result, Alex will have to include the remaining $7,500 ($8,500 – $1,000) in his income for 2018, reported on his final Canadian tax return prior to departure.

What happens in the year the participant turns 71?

If the participant has an outstanding LLP balance in the year after the year the participant turns 71, he or she will not be able to repay any withdrawals into his or her RRSP or PRPP. In the year the participant turns 71, he or she can either

- repay the remaining balance,
- repay a portion of the remaining balance, or
- not make any repayments into his or her RRSP or PRPP.

If the participant chooses the second or third option, the remaining balance will be divided by the number of years left in the repayment schedule. The amount calculated will be included as income for each of the remaining years.

Death of student or participant

If the LLP student dies and the student was not the participant, then the repayment schedule remains 10 years.

If the LLP participant dies, then any unpaid balance must be included in his or her income for the year of death. Any RRSP or PRPP contributions made by the deceased can be designated as repayments. However, if at the time of death the participant had a spouse or common-law partner who is a Canadian resident, the spouse or common-law partner can elect, jointly with the deceased's legal representative, to take over the deceased's LLP balance. If the surviving spouse or common-law partner had his or her own outstanding LLP balance, then the deceased's balance will be added to the surviving spouse's or common-law partner's balance, and will have to be repaid based on the surviving spouse's or common-law partner's schedule. Otherwise, the surviving spouse or common-law partner will have to make repayments to his or her RRSP over the normal 10 year repayment period, determined as though the year of his or her first LLP withdrawal is the year the person died.

If the surviving spouse or common-law partner elects to make the repayments and the deceased had not made a repayment during the year of death, the CRA will not require a repayment for that year.

To make the election, the surviving spouse or common-law partner and the deceased's legal representative must jointly sign a letter and attach it to the deceased's tax return for the year of death. The letter must include

- a statement that an election is being made to have the surviving spouse or common-law partner take over the unpaid balance of the LLP, and
- a statement that the income will not be included in the deceased's return.

Example 8 – Repayment treatment due to spousal death

Jack and Jane, who are spouses, both withdrew $5,000 under the LLP in 2016 to fund Jane's education. Their repayment periods began in 2018, at which time they each made a $500 repayment. In 2019, before any repayments had been made, Jane died. Jane's income inclusion for 2019 is $4,500 ($5,000 – $500). However, Jack and Jane's legal representative can elect to add Jane's outstanding LLP balance to Jack's, resulting in Jack having an outstanding balance of $9,000 (($5,000 – $500) x 2), in which case the income will not be included on Jane's terminal return.

Conclusion

The LLP allows the participant to borrow money from his or her RRSP. The participant has the option to gradually repay his or her RRSP or PRPP, so the tax deferral associated with his or her prior years' RRSP contributions is not lost. The LLP also allows the participant to spread the income inclusion over a number of years, instead of at the time of withdrawal. A combination of repayment and income inclusion may also be feasible.

Potential participants should keep in mind that they are losing the tax-deferred growth while the funds are not in the RRSP. If non-registered funds are available, they should generally be considered first unless there are negative tax consequences to doing so. Tax-Free Savings Account (TFSA) is another source of education funding. However, for people who have most of their savings in their RRSPs, the LLP provides them with an opportunity to invest in their future.

We strongly recommend you consult your own tax advisor to understand the tax implications for your personal circumstances.

Additional information

For more information about this topic, contact your advisor, call us at 1.800.874.6275 or visit our website at **www.invesco.ca.**

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