



# PLAN SUMMARY

## Self-Initiated Option Plan

Type of Plan: Individual Scholarship Plan

Investment Fund Manager:  
Children's Education Funds Inc.

November 6, 2017



CHILDREN'S EDUCATION  
FUNDS INC.

This summary tells you some key things about investing in the Plan. You should read this Plan Summary and the Detailed Plan Disclosure carefully before you decide to invest.

### If you change your mind

You have up to 60 days after signing your Contract to withdraw from your Plan and get back all of your money, including sales charges but excluding any insurance premiums and certain applicable fees.

If you (or we) cancel your Plan after 60 days, you'll get back your Contributions, less sales charges, fees and any insurance premiums paid (if applicable). You will lose the Earnings on your money. Your Government Grants will be returned to the applicable governments.

**Keep in mind that you pay sales charges up front. If you cancel your Plan in the first few years, you could end up with much less than you put in.**

## What is the Self-Initiated Option Plan?

The Self-Initiated Option Plan is an individual scholarship plan designed to help you save for a child's post-secondary education. When you open your Self-Initiated Option Plan, we will apply to the Canada Revenue Agency to register the Plan as a Registered Education Savings Plan (**RESP**). This allows your savings to grow tax-free until the child named as the Beneficiary of the Plan enrolls in Eligible Studies. The Government of Canada and some provincial governments offer Government Grants to help you save even more. To register your Plan as an RESP, we need social insurance numbers for yourself and the child you name in the Plan as the Beneficiary.

In an individual scholarship plan, you are part of a group of investors. Everyone's Contributions are invested together. When the Plan matures, each child in the group shares in the earnings on that money. Your share of those Earnings, plus your Government Grant money, is paid to your child as Educational Assistance Payments (**EAPs**). EAPs are paid for Eligible Studies that qualify under the *Income Tax Act* (Canada).

There are two main exceptions. Your child will not receive EAPs, and you could lose your Earnings, Government Grants and Grant Contribution Room, if:

- your child does not enrol in a school or program that qualifies under this Plan, or
- you leave the Plan before it matures.

If you meet certain conditions, you may keep the Earnings by transferring them to your Registered Retirement Saving Plan (**RRSP**) or spousal RRSP, a Registered Disability Savings Plan (**RDSP**) or you can withdraw the Earnings and pay tax on them.

## Who is this Plan for?

An individual scholarship plan is for investors planning to save for a child's post-secondary education.

You are eligible to enroll in this Plan if your child is a Canadian resident within the meaning of the *Income Tax Act* (Canada).

This Plan is suitable if you are fairly sure that:

- you want to save for one Beneficiary;
- you want flexibility over when and how much to contribute to your Plan;
- you are planning for your Beneficiary to attend Eligible Studies;
- you want control over when and how much to withdraw from your Plan for your Beneficiary's education.

If this doesn't describe you, then this Plan may not be appropriate for you and the Group Option Plan or Achievers Plan offered by Children's Education Funds Inc. may be more suitable for you as these Plans have different conditions and features. See the Plan Summaries for our Group Option Plan and Achievers Plan on pages 14 and 44, respectively of the Detailed Plan Disclosure document for more information.

## What does the Plan invest in?

The Plan invests net Contributions and Government Grants mainly in fixed income securities, such as government bonds, guaranteed mortgages, cash equivalents, GICs and money market securities. Income may also be invested in corporate bonds and equity securities listed on a Canadian stock exchange. The Plan's investments have some risk. Returns will vary from year to year.

## How do I make Contributions?

Minimum investment in the Self-Initiated Option Plan is \$300 within 12 months of the date of enrolment. Other than meeting the minimum initial investment requirement, you decide the amount and timing of your Contributions. We will waive the minimum investment requirement if your Beneficiary receives a Canada Learning Bond during the initial 12 month period. We will waive the sales charge and annual depository fee if your Beneficiary qualifies for a Canada Learning Bond and if your Plan consists solely of a Canada Learning Bond during the initial 12 month period.

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## What can I expect to receive from the Plan?

In your child's first year of post-secondary education, you are entitled to get back your net Contributions. You can have this money paid to you or directly to your child.

Generally, your child will be eligible for EAPs in their first, second, third and fourth year of post-secondary education, depending on the circumstances. For each year, your child must show proof they are enrolled in a school or program that qualifies under the Plan to get an EAP. Any post-secondary program that would qualify for an EAP under the *Income Tax Act* (Canada) would be considered Eligible Studies under the Plan within the time allowed.

EAPs are taxed in the child's hands.

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## What are the risks?

If you do not meet the terms of the Plan, you could lose some or all of your investment. Your child may not receive all of their EAPs.

You should be aware of four things that could result in a loss:

**1. You leave the Plan before the Maturity Date.** If you cancel your Plan more than 60 days after your Application Date but before your Beneficiary becomes eligible for his or her EAPs and you are not eligible to receive an Accumulated Income Payment,

you will forfeit any Income, Government Grants and Income on Government Grants. The Government Grants will be returned to the applicable government. The Income earned on your Contributions and Government Grants will be paid to a post-secondary educational institution chosen by us.

**2. You fail to qualify for EAPs.** You may not be entitled to any Income earned on your investment if your Beneficiary does not qualify to receive EAPs and if you are not eligible to take an AIP. We cannot predict the actual amounts of EAPs, which are impacted by a number of factors including the amount of Income earned on your net Contributions, as this amount may vary from year to year and past performance is not necessarily indicative of what will be earned in the future.

**3. Your Plan Beneficiary does not pursue Eligible Studies.** For example, part-time studies where the program is either less than three consecutive weeks or less than 12 hours per month is spent on courses will not qualify the Beneficiary for receiving EAPs under this Plan. If your child will not be going to a qualifying school or program under this Plan, you can name another plan Beneficiary, transfer to another RESP or cancel your Plan. Restrictions and fees apply. Some options will result in a loss of Earnings and Government Grants.

**4. Your child doesn't complete their program.** Your child may lose some or all of their EAPs if they do not complete their program of studies or defer their studies for extended periods. Your child may defer an EAP for a year. Deferrals are at our discretion.

If any of these situations arise with your Plan, contact us or speak with your dealing representative to better understand your options to reduce your risk of loss.

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## How much does it cost?

There are costs for joining and participating in the Plan. The following tables show the fees and expenses of the Plan.



## Fees you pay

These fees are deducted from the money you put in the Plan. They reduce the amount that gets invested in your Plan, which will reduce the amount available for EAPs. The fees and expenses of this Plan are different than the other Plans we offer. Both the sales charge and the annual depository fee are waived if your Plan consists solely of a Canada Learning Bond.

Fee	What you pay	What the fee is for	Who the fee is paid to
Sales charge *	\$200.00. All of your Contributions go toward this fee until \$100.00 of it has been paid off and then half of each Contribution thereafter goes toward this fee until it has been paid in full	This is for paying commissions and ongoing service fees to your dealing representative and covering the cost of selling your Plan**	Children's Education Funds Inc.**
Annual Depository Fee per Plan***	\$12.00****	This is for processing your Contributions	Children's Education Funds Inc.

### Notes:

\* Sales charges may not be increased without Subscriber approval.

\*\* A service fee of 0.75% will be paid by Children's Education Funds Inc. to your dealing representative for the dealing representative's ongoing services to you during the life of your Plan, which will be paid quarterly for the life of your Plan based on the net Contributions, Government Grants and Income in the Plan at the end of each quarter.

\*\*\* Fees are subject to change. Subscribers will be notified of any such changes.

\*\*\*\* Plus applicable taxes.

## Fees the Plan pays

You don't pay these fees directly. They're paid from the Plan's Earnings. These fees affect you because they reduce the Plan's returns, which reduces the amount available for EAPs. Other fees apply if you make changes to your Plan. See page 37 of the Detailed Plan Disclosure for details.

Fee	What the Plan pays	What the fee is for	Who the fee is paid to
Annual Administration Fee*	1.5% of all net Contributions, plus Government Grant amounts, together with all Income earned**	Administering your Plan, including record keeping and coordination between depository, trustee and investment advisors	Children's Education Funds Inc.
Portfolio Management Fee	Annual weighted average of 0.14% of the assets managed by the investment counsel firms**	To cover the portfolio investment managers' expenses	Investment Advisors
Trustee and Custodian fee	Annual rate of 0.011% on the first \$1 billion and 0.0085% on the balance. In addition, the trustee receives \$9 for each purchase or sale of securities**	To cover the trustee and custodian's expenses	Depository Trustee and Custodian
Independent Review Committee	The proportionate share allocated to the Plans of the annual fees of \$6,000 per member and other Independent Review Committee expenses including insurance coverage, legal fees, travel cost and other reasonable out-of-pocket expenses  For the year ended December 31, 2016, the total fees and expenses related to the Independent Review Committee was \$12,821, which was proportionately shared by all the Plans	To cover the services of the Plan's Independent Review Committee	Members of the Independent Review Committee
Board of Directors	The proportionate share allocated to the Plans of the annual fees of \$6,000 per external Board member	Remuneration for Board of Directors	Members of the Board of Directors

\* For Subscribers enrolled in Plans prior to October 9, 2012 the Administration Fee will be paid from Subscriber's Contributions.

\*\* Plus applicable taxes.

### Are there any guarantees?

We cannot tell you in advance if your child will qualify to receive any payments from the Plan or how much your child will receive. We do not guarantee the amount of any payments or that the payments will cover the full cost of your child's post-secondary education.

Unlike bank accounts or GICs, investments in scholarship plans are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.



### For more information

The Detailed Plan Disclosure delivered with this Plan Summary contains further details about this Plan, and we recommend you read it. You may also contact Children's Education Funds Inc. or your dealing representative for more information about this Plan.

Subscriber 1 \_\_\_\_\_ Date \_\_\_\_\_

Dealing Representative \_\_\_\_\_ Date \_\_\_\_\_

Subscriber 2 \_\_\_\_\_ Date \_\_\_\_\_

Branch Manager / PTO \_\_\_\_\_ Date \_\_\_\_\_



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