

Study: Why are lower-income parents less likely to open an RESP account? The roles of literacy, education and wealth

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Parents can save for their children's postsecondary education by opening and contributing to a Registered Education Savings Plan (RESP) account, which provides tax and other financial incentives designed to encourage participation (particularly among lower-income families). While the share of parents opening RESP accounts has increased steadily over time, as of 2016, participation rates remained more than twice as high among parents in the top income quartile (top 25%) compared with those in the bottom quartile.

A new study provides insight into the factors behind the gap in RESP participation between higher and lower-income families.

Differences in wealth accounted for 50% to 79% of the total gap in RESP participation between families in the top and bottom income quartiles, depending on the method and dataset used.

Higher levels of financial literacy among parents in the top income quartile compared with those in the bottom quartile accounted for between 13% and 19% of the gap in RESP participation between them. General literacy and numeracy differences, as well as differences in parental education, played much smaller roles.

Earlier research has demonstrated the importance of having an RESP. Youth who had access to an account were more likely to subsequently enrol in university or college than those who did not have an RESP. This was the case even after accounting for differences in family income, parental education, and the academic performance of the children.

The research article "[Why are Lower-income Parents Less Likely to Open an RESP Account? The Roles of Literacy, Education and Wealth](#)," part of the *Analytical Studies Branch Paper Series (11F0019M)*, is now available.

For more information, contact us (toll-free 1-800-263-1136; 514-283-8300; STATCAN.infostats-infostats.STATCAN@canada.ca).

To enquire about the concepts, methods or data quality of this release, contact Aneta Bonikowska, (613-864-0571; aneta.bonikowska@canada.ca) or Marc Frenette (marc.frenette@canada.ca), Social Analysis and Modelling Division.

