

May 14, 2020

Ermanno Pascutto  
Executive Director  
FAIR Canada  
36 King St. E. Suite 400  
Toronto, ON M5C 3B2

Dear Ermanno,

**Subject: FAIR Canada's appeal to provide relief to Group RESP subscribers**

It was good to talk with you last week. As indicated, we have been following with interest FAIR Canada's appeal to the Ontario Securities Commission and the Canadian Securities Administrators to provide relief to group RESP subscribers. I am writing to you to outline the specific actions Knowledge First Financial has taken to provide support to Heritage Plans (group RESP) customers during COVID-19 and address some of the broader issues related to group RESPs that were raised in your appeal.

Before addressing the Heritage Plan, it is important to note that the majority of our customers are in Individual plans with maximum flexibility to start and stop payments and withdraw contributions and EAPs at their choice.

**Relief for Heritage Plan Customers**

Especially during this time of uncertainty, Knowledge First Financial has reassured its customers that claims about cancellations, penalties and forfeitures due to missed contributions do not apply to the Heritage (Group) Plan. In particular:

- Missed contributions will not result in cancellations, penalties or forfeitures; customers in a Heritage Plan will have access to their funds, including net contributions, grants and income.
- A reduction in contributions from their schedule can be made to a Heritage Plan at anytime before the beneficiary's 18<sup>th</sup> birthday without incurring a penalty or interest adjustment. Should customer wish to keep the same number units and they have missed contributions, they do pay an interest adjustment to ensure all customers in plan are treated fairly.
- Customers have options at maturity to meet their post-secondary needs – whether this means attending a 1- or 2-year program, or pursuing the traditional 4-year university degree. We have extended the deadlines for customers to respond to their maturity options and to obtain their EAPs.
- To provide our customers with added support and relief during this time, we are waiving transaction fees where appropriate (e.g. Non-Sufficient Funds; making changes to Heritage Plans). Measures are in place to make it easier for Heritage Plan customers to make changes to their plans while ensuring ongoing affordability of their contributions.

## Group RESPs

Effective May 1, 2020, Knowledge First Financial no longer offers for sale group RESPs. This transition to individual RESPs started in 2012 with the launch of the Flex First Plan (Individual RESP). In 2014, Group rules were significantly relaxed to reduce forfeiture risks to consumers and finally, last year, we successfully obtained approval through subscriber vote to transfer assets in the Family Group Plan to an individual RESP.

We believe that generalized statements-- including claims that certain groups are unable to make informed investment decisions or that a segment of RESP providers are not compliant with Know Your Client practices -- do not help educate consumers on the RESP options available. At Knowledge First Financial, our KYC and suitability guidelines are clear and all sales go through a two-tier review process to ensure suitability. We follow guidelines set out by the Ontario Securities Commission, including the plain language format for prospectus and plan summaries – documents which are reviewed and approved annually by the regulator and are available publicly on our website.

All RESP providers have an obligation to help consumers make the best choice for their situation, to clearly explain costs associated with the investments, and to ensure they maximize the value of their RESP through all available government grants and tax-deferred growth. It's a responsibility that Knowledge First Financial takes seriously. As part of that, we encourage consumers who are facing financial uncertainty, or have questions about their RESP, to speak with their provider for advice specific to their situation.

As discussed, we would be happy to make a presentation to your team on the changing landscape of Scholarship Plan Dealers and Group RESPs.

Sincerely,



R. George Hopkinson  
President & CEO  
Knowledge First Financial Inc.