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April xx, 2019

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Dear Customer,

## Important News – It's Time to Vote!

On behalf of the Board of Directors of the Knowledge First Foundation (the "Foundation"), it is my pleasure to invite you to a Special Meeting of customers of the Family Group Education Savings Plan (the "Group Plan") to be held at the offices of Knowledge First Financial Inc., Suite 1000, 50 Burnhamthorpe Road West, Mississauga, Ontario L5B 4A5 on **Thursday, May 30, 2019 at 10:00 AM (EDT)**. If you cannot attend the meeting, please vote using one of the alternative methods shown on the enclosed Proxy Form.

### The Proposed Changes

The Foundation, the sponsor and promoter of the Group Plan, is proposing changes to the Group Plan to wind-up the Plan and transfer all assets of the Group Plan to the Family Single Student Education Savings Plan ("Single Student Plan"), an individual Plan that provides you with full flexibility in withdrawing funds and maximizing the full benefits of your RESP. The impacts and benefits of these changes are summarized below and are described in detail in the Notice of Meeting and Management Information Circular.

This Management Information Circular is available on our website at [www.knowledgefirstfinancial.ca/subscribervote](http://www.knowledgefirstfinancial.ca/subscribervote).

The end result of these changes is to eliminate the attrition features of the Group Plan. There are two types of attrition within the Group Plan:

1. **Pre-maturity Attrition:** Customers who cancel their plan prior to maturity (maturity is typically July 31<sup>st</sup> in the year the beneficiary turns 17), leave behind their accumulated contribution income, which is redistributed to customers who remain in the plan and receive Education Assistance Payments (EAPs) for their post-secondary education; and
2. **Post-Maturity Attrition:** Customers who elect to stay in the Group Plan past maturity (you can opt to transfer to the Single Student Plan) and who do not receive all three EAPs (typically 4 years of post-secondary program) forfeit all or a portion of their accumulated income to other customers.

In essence, some students benefit from other customers not receiving the full income from their RESP.

### Why are the Changes Being Made?

The Foundation is proposing these changes for the overall benefit of students to help them realize the full value of their RESP. Today's students require more flexibility when attending post-secondary education; students often defer starting their education, programs may be shorter or longer than 4 years, students often start, stop and then start again, there may be economic pressures that lead to students take a longer time to complete their program. Simply, students require more flexibility in withdrawing their funds from a RESP to meet their needs.

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### How Will the Changes be Implemented?

These changes will be implemented on January 1, 2020 by transferring the assets in the Group Plan to the Single Student Plan as follows:

- **Pre-Maturity Customers:** for customers with a maturity date in 2020 and beyond, all of the Group Plan's assets, which include contributions, accumulated income, grants and grant income, plus a small proportionate allocation of the remaining Pre-Maturity income, will be transferred to the Single Student Plan.
- **Post-Maturity Customers:** For customers with a maturity date of 2019 or prior, your contributions have been returned to you, or will be returned to you after July 31, 2019, if your plan is maturing this year. Your plan's assets including grants and grant income plus your proportionate share of all income that has accumulated post-maturity, will be transferred to the Single Student Plan.

### How Does This Impact Me if the Proposal is Voted In?

The following table provides a comparison of EAPs between the Group Plan and the Single Student Plan<sup>1</sup>. A student in the Single Student Plan who only attends one, two or three years of post-secondary education, can take out the full value of their Single Student Plan anytime by attending one, two, three or four years of post-secondary education. In most cases, the student will be better off having been in the Single Student Plan, as compared to the Group Plan.

The student is better off in the Group Plan when her or she attends four years of post-secondary education (receives all three EAPs) and applies for all EAPs correctly and on time. In this case, the student may receive up to 15% more in EAPs compared to a student in the Single Student Plan.

Education Assistance Payments						
Customer Contributing \$100 per month since Child's Birth 20.58 Units						
Single Student Plan		Group Plan			Single-Group Difference	
# of years at school	Total EAP	# of years at school	# EAPs Received	Total EAP	\$ Difference	% Difference
1, 2, 3 or 4 Years	\$19,448	2 Years	1 EAP	\$8,413	\$11,035	131.2%
1, 2, 3 or 4 Years	\$19,448	3 Years	2 EAPs	\$16,162	\$3,286	20.3%
1, 2, 3 or 4 Years	\$19,448	4 Years	3 EAPs	\$22,974	-\$3,526	-15.3%

In summary, students are better off in the Single Student Plan if they attend one, two or three years of post-secondary education. Students are only better off in the Group Plan if they attend four years of post-secondary education and follow the Group Plan's EAP withdrawal rules.

### Group Plan Statistics<sup>2</sup>

The following are some key statistics on the effect of the Group Plan's attrition:

- only **32%** of students who enrolled in the Group Plan ultimately *received all three EAPs*. Students who receive all three EAPs are the ones that benefit from attrition of other customers and Students;
- of the students enrolled in the Group Plan whose plans reached maturity date,
  - only **50%** of these students received all three EAPs, and
  - **25%** of these students received no EAPs.

<sup>1</sup> The examples are calculated from the EAP values for the 2015 cohort (i.e. plans that matured in 2014) and have now received all eligible EAPs. All EAP amounts include grants and grant income.

<sup>2</sup> These statistics are from the 2015 cohort (i.e. plans that matured in 2014) and have now received all eligible EAPs.

### **Reasons for the Changes**

The Proposed Changes regarding the wind-up of the Group Plan and the transfer of Group Plan assets to the Single Student Plan will be beneficial to customers and students of the Group Plan for the following reasons:

- eliminates the **risk and uncertainty** for Group Plan customers in obtaining all three EAPs;
- reduces the **risk and uncertainty** for Group Plan customers to receive all accumulated contribution income, grant income and government grants in their RESP;
- the Single Student Plan provides the customer with **much greater flexibility** in withdrawing contributions when the student is ready to attend post-secondary education;
- the Single Student Plan provides the customer with **much greater flexibility** in requesting EAP payments and maximizing the benefit from their RESP;
- allows the customer, within their new Single Student Plan, to continue to earn and accumulate income on their asset balances **for the remaining life of their Customer Agreement** (up to 35 years from the year the Customer enrolled in the Customer Agreement);
- allows the customer to request all remaining income in their Customer Agreement (not just grant income) as an Accumulated Income Payment in the event the student does not enroll in a qualifying post-secondary education program (subject to Tax Act regulations).

I trust this helps you understand why these changes are important and beneficial to you. **These changes will benefit a majority of customers currently enrolled in the Group Plan. We urge you to vote in favor of these changes.**

### **Independent Review**

The Group Plan's Independent Review Committee has reviewed the proposed changes and has concluded that the proposed changes, if approved by customers, would result in fair and reasonable result for the Group Plan.

**AFTER CAREFUL CONSIDERATION, THE KNOWLEDGE FIRST FOUNDATION BOARD OF DIRECTORS HAS APPROVED THE PROPOSED PLAN CHANGES AND RECOMMENDS THAT CUSTOMERS VOTE IN FAVOUR OF THE PROPOSED CHANGES.**

### **Voting**

As a Group Plan customer, you are entitled to vote on the proposed changes. It is easy to vote and we encourage you to do so. You can vote online, by phone, by mail or in person at the Special Meeting on May 30, 2019. The Proxy Form enclosed gives you the opportunity to vote on the proposed changes, if you are not able to attend the Special Meeting. Please see "**Important Information for the Family Group Education Savings Plan Subscriber Vote**" enclosed with this letter for information on accessing and obtaining the Management Information Circular. If you have any questions or need help with voting, please call us at 1 800 363-7377 or, from outside of Canada, at 1 (647) 788-2923, or by email at [vote@kffinancial.ca](mailto:vote@kffinancial.ca).

Sincerely,

**KNOWLEDGE FIRST FINANCIAL INC.**



R. George Hopkinson  
President & Chief Executive Officer  
Encl.