

Your Guide to
Understanding

TFSA

TAX-FREE SAVINGS ACCOUNT

2019/2020



Table of Contents

WHAT IS A TFSA	1
Who Can Open a TFSA	
Who Can Benefit from a TFSA	
Non-Resident Holders	
Qualified Investments in a TFSA	
CANADA REVENUE AGENCY	6
TFSA Contribution Room	
Surname, SIN and Date of Birth Must Match CRA Records	
CONTRIBUTIONS AND WITHDRAWALS	7
Contributions	
Unused Contribution Room	
Over-Contributions	
Contribution Room Illustration	
Withdrawals	
TRANSFERS	13
No Attribution Rule	
DEATH OF A TFSA HOLDER	14
BORROWING MONEY TO PURCHASE A TFSA	16
Use of TFSA as Security for a Loan	
TAX PAYABLE	16
Excess TFSA Amount	
Non-resident Contributions	
Non-Qualified or Prohibited Investments	
Account Advantages and Benefits	
TFSA VS NON-REGISTERED INVESTMENT ACCOUNT	18
TFSA VS RRSP	19
WHERE DO YOU GO FROM HERE	20

What is a TFSA

Since 2009, the Tax-Free Savings Account (TFSA) savings vehicle has been available to Canadian residents age 18 or older.

The federal government introduced the TFSA in the 2008 federal budget calling it “the single most important personal savings vehicle since the introduction of the Registered Retirement Savings Plan (RRSP).”

As with the RRSP, the TFSA is a savings vehicle that helps the individual set aside money for future needs. The primary difference is money contributed to a TFSA is made in after-tax dollars and, as a result, is not subject to tax upon withdrawal.

The primary benefits of the TFSA include:

TAX-SHELTERED SAVINGS

A TFSA will allow taxpayers to invest money in an account without being taxed on the investment’s earnings while remaining in the TFSA. This elimination of taxes on earnings and capital gains results in a faster growth in savings.

FLEXIBILITY

Individuals in all income levels and stages in life can benefit from a TFSA. Unlike an RRSP or a RESP, a TFSA can help individuals save for any reason.

Individuals can use a TFSA to save for a wedding, a car, a home, to start a small business or even to take a vacation. There are no time limits for using the funds or restrictions what the funds are used for. The TFSA also does not contain any age restrictions where the account must close or mature.

Who Can Open a TFSA

A TFSA is available to all individuals who meet the following requirements:

- Is a resident of Canada at the time of purchase;
- Is 18-years of age or older; and

- Has a valid Social Insurance Number (SIN).

The owner of a TFSA is also known as the Holder. A Holder may have multiple TFSAs. It is essential for the Holder to keep track of all contributions because **the annual contribution limit is based on the individual's limit and not per plan.**

A TFSA is not available for purchase by a corporation or trust.

Who Can Benefit from a TFSA

The TFSA allows Holders to save for lifetime needs as well as unexpected expenses. Investing in a TFSA is a smart way to grow your money due to the tax-free status of earnings and capital gains. The TFSA fills a unique spot in the selection of registered products available for individual taxpayers.

Individuals who may find the TFSA appealing include: young people just starting out in the workforce, people who receive an inheritance or a financial windfall, people already saving in taxable investment accounts, retirees who have reached age 71 and are required to take their minimum RRIF withdrawal, and individuals saving for everyday items and unexpected expenses.

Although the TFSA can be used for various savings scenarios, **Holders must remember a TFSA is not a chequing account.** To benefit from growth in a TFSA, the Holder needs to adopt a buy and hold strategy and leave the money invested for a set period.

SAVINGS FOR PLANNED AND UNPLANNED NEEDS

There are many high-ticket items people may purchase during their lifetime. A TFSA Holder can make a withdrawal from his or her TFSA without any tax consequences unlike making a withdrawal from a taxable investment, such as an RRSP.

- Jack and Lily are a single income family. Since they were married, Jack has been making contributions to his TFSA and gifts Lily with the funds to contribute to hers.

They recently purchased a new refrigerator and found it was too small for its intended spot so they decided to renovate their entire kitchen. They each took out \$20,000 from their TFSAs tax-free and will be able to re-contribute this amount to their TFSAs the following year.

- Harold has been contributing \$25 a month to his TFSA since his daughter was born and has earned about 5% per year. Twenty-five years later his daughter is getting married. Now, Harold has accumulated almost \$15,000 of tax-free money in his TFSA, all of which can help pay for the wedding. The \$15,000 will be reapplied to his contribution room the following year.

BENEFITS FOR RETIREES

While the TFSA is beneficial savings tool for young people, who have more time to grow their savings in a tax-efficient manner, retirees can also benefit from investing through a TFSA.

Considering an RRSP has a maximum age restriction of 71 for making contributions and maturing the plan, with a TFSA there are no maximum age restrictions. A Holder can make contributions and keep the account open for as long as they wish.

Retirees that have a registered retirement income fund (RRIF) must take annual withdrawals into taxable income starting the year after the RRIF is opened. With a TFSA there is no mandatory withdrawal requirements, the Holder can make tax-free withdrawals at any time.

Proceeds from a RRIF payment can be contributed to a TFSA to benefit from continued tax-free growth and the income will not impact federal income-tested benefits.

- Cheryl is 72 and must take a required minimum withdrawal from her RRIF by the end of this year. Her Old Age Security (OAS) benefits and company pension provides her with enough income for her daily needs. So, Cheryl contributes the proceeds from her

required RRIF payment to her TFSA where she invests in a GIC that will mature just in time for the European cruise she has wanted to take for years. The withdrawal from the TFSA for the cruise is not taxable and does not affect her OAS.

BENEFITS FOR LOW-INCOME EARNERS

Contributing to a TFSA may be more beneficial for a low-income earner than contributing to an RRSP. This is mainly due to the low-tax savings per dollar contributed to an RRSP in addition to the taxation of withdrawals which could reduce an income-tested benefit.

Withdrawals from a TFSA do not affect the Guaranteed Income Supplement (GIS), employment insurance (EI) benefits, OAS benefits or the Canada Child Benefit (CCB), among other federal tax credits, since withdrawals not taxed or reported as income.

- Stephan has an annual income of less than \$16,500 and expects to receive the OAS in retirement in addition to GIS and Canada Pension Plan (CPP) benefits. His TFSA generates \$2,000 a year in interest income. Neither this income, nor any withdrawals from the TFSA, will affect the OAS/GIS benefits (or any other federal income-tested benefits and credits) he receives in retirement. If this \$2,000 was included in his taxable income, he would not qualify for the GIS.

Non-Resident Holders

The CRA usually considers an individual a non-resident of Canada for tax purposes if they:

- Normally, customarily or routinely live in another country;
- Live outside Canada throughout the tax year;
- Stay in Canada for less than 183 days in the tax year;

- Have no residential ties in Canada (home or personal property, or spouse or dependents reside).

If the Holder of a TFSA subsequently becomes a non-resident of Canada, the TFSA may remain opened and retain its tax-free status however:

- No contributions may be made;
- No contribution room will accumulate.

Contributions made while the Holder is a non-resident Holder is subject to a 1% tax for each month the contribution remains in the account.

Withdrawals made while the Holder is a non-resident will be added back to their unused contribution room the year after reestablishing their Canadian residency status.

These rules apply while the Holder is a non-resident. If the Holder becomes a resident of Canada again, contribution room will commence accruing and the Holder can make future contributions.

Qualified Investments in a TFSA

A TFSA can accept the same qualified investments as those held in an RRSP.

Types of qualified investments are prescribed under the *Income Tax Act* (Canada) and include some of the following:

- Cash/Variable Interest Savings Accounts
- Term Deposits and Guaranteed Investment Certificates (GICs)
- Credit Union Membership Shares
- Index-linked Term Deposits
- Mutual Funds

A self-directed TFSA is required to hold additional qualified investments such as;

- Bonds
- Securities, listed on a designated stock exchange

- Mortgages
- Mortgage Investment Corporations (MICs)

Investments in a self-directed TFSA are subject to the investment inclusion policies at the Holder's financial institution. The Holder is responsible for ensuring the investment is a qualified investment under the Income Tax Act.

Canada Revenue Agency

TFSA Contribution Room

Individuals can obtain the most up-to-date information about their TFSA contribution room by accessing "My Account" or "My CRA" on the CRA website or by calling the CRA's Tax Information Phone Service at 1.800.267.6999 (TIPS).

Surname, SIN and Date of Birth Must Match CRA Records

The CRA will register a TFSA when the Holder's surname, SIN and date of birth match their records. The CRA will not accept the TFSA for registration if one or more of the required data elements do not match the information in their files; for example:

- Your date of birth is July 6, 1987; however, when your first tax return was submitted, your date of birth was recorded as 1978. Although your birthdate is recorded correctly with your financial institution and on your TFSA application it does not however, match the CRA records. To correct this error, you will need to contact the CRA and provide them with supporting documentation to confirm your date of birth.

If the error is not corrected the TFSA loses its tax-free status and all income and gains will be taxable income to the Holder.

Contributions and Withdrawals

Contributions

Contributions to a TFSA may only be made by the Holder of the account. However, individuals may gift their spouse or common-law-partner with money to make a direct contribution to their TFSA without triggering income attribution rules.

The maximum TFSA contribution dollar limit for 2019 is \$6,000.

The TFSA contribution limit was set at \$5,000 in 2009 and indexed to inflation annually rounded to the nearest \$500.

The TFSA contribution limit was \$5,000 from 2009 to 2012, \$5,500 in 2013 and 2014, \$10,000 in 2015, \$5,500 from 2016 to 2018 and is currently set at \$6,000 for 2019.

The annual contribution limit is not tied to the annual income of the Holder.

Year	Annual Contribution Dollar Amount
2009 - 2012	\$5,000
2013 - 2014	\$5,500
2015	\$10,000
2016 - 2018	\$5,500
2019	\$6,000
Total Lifetime Contribution to Date	\$63,500

The TFSA contribution room is made up of:

- The TFSA contribution limit for the current year;
- Any unused TFSA contribution room from previous years;
- Any withdrawals made from the TFSA in the previous year.

Unlike the RRSP, TFSA contributions are made with after-tax dollars and are not deducted from earned income.

Even if an individual does not open or contribute to a TFSA, they will still accumulate contribution room throughout their life (since TFSA inception in 2009 and from age 18).

The Holder can direct an in-kind transfer or contribution of non-registered securities to their TFSA provided the property being contributed is accepted by the financial institution and is a qualified investment under the Income Tax Act.

Reminder; In-kind contributions are considered a deemed disposition of capital property for tax purposes and may trigger a capital gain if the fair market value (FMV) of the property exceeds its adjusted cost base (ACB) at the time the transaction occurs. If the property is transferred at a loss, the capital loss is not deductible, and the property will be transferred at its FMV.

Since October 16, 2009, a TFSA Holder cannot exchange securities for cash, or other securities of equal value, often called swap transactions, between TFSA's, registered and a non-registered accounts. Any swap transactions that occur in an account after October 16, 2009, will be subject to a 100% tax based on the value of the assets being swapped.

Unused Contribution Room

When a Holder contributes less than the annual maximum TFSA limit, the difference is referred to as “unused contribution room”.

Unused contributions may be carried forward indefinitely and used in future years. Therefore, after 2009, a Holder could contribute more than the annual limit up to their maximum unused contribution room, in a given year.

There is no restriction on how much contribution room can be carried forward.

A TFSA withdrawal increases the unused contribution room for the year after the withdrawal by the amount of the withdrawal.

Since October 16, 2009, certain withdrawals made in the previous year may not be added back in the following year. These include:

- Withdrawals of amounts included in the definition of advantage;
- Amounts on which income tax had to be paid by the TFSA trust;
- Any other income related to those amounts.

Over-Contributions

It is essential for the Holder to keep track of their TFSA contributions, especially if the Holder has multiple TFSAs, **(as the annual contribution limit is per person, not per plan).**

The Holder is responsible for ensuring their maximum contribution room limit is not exceeded.

An over-contribution will result in a penalty tax on the over-contributed amount at a rate of 1% per month for each month the over-contribution remains in the TFSA.

A withdrawal to correct over-contributions does not increase unused contribution room.

Contribution Room Illustration

Sue, who was over the age of 18 in 2009, makes no contributions to her TFSA in the years 2009 – 2012, resulting in unused contribution room of \$20,000 (4 x \$5,000 annual contribution limit).

In 2013, Sue contributes \$20,000 to her TFSA. Her unused contribution room at the end of 2013 is equal to the \$5,500 annual TFSA limit for 2013.

In 2014, Sue accumulates additional annual contribution room of \$5,500 and now has a total of \$11,000 in unused contribution room. In 2014, Sue withdraws \$5,000 for a vacation. The amount of the withdrawal will be added to the contribution room for 2015.

From 2015 – 2017 Sue makes no contributions to her TFSA. Her unused contribution room at the end of 2015 consists of the unused contribution room at the end of 2014 (\$11,000) plus the 2015 annual TFSA limit (\$10,000) plus the amount of the withdrawal from 2014 (\$5,000) which gets added to her contribution room in 2015 for a total of \$26,000.

Sue’s unused contribution room at the end of 2016 consists of the unused contribution room at the end of 2015 (\$26,000) plus the 2016 annual TFSA limit (\$5,500) for a total of \$31,500.

Sue’s unused contribution room at the end of 2017 consists of the unused contribution room at the end of 2016 (\$31,500) plus the 2017 annual TFSA limit (\$5,500) for a total of \$37,000.

In 2018, Sue contributes \$37,000. She accumulates the 2018 annual TFSA limit (\$5,500) in unused contribution room at the end of 2018.

In 2019, Sue accumulates additional annual TFSA limit (\$6,000) and now has a total of \$11,500 in unused contribution room. The same year she contributes \$11,500. This will leave \$0 in unused contribution room at the end of 2019.

Year	Contribution	Withdrawal	Unused Contribution Room
2009	\$0	\$0	\$5,000
2010	\$0	\$0	\$10,000
2011	\$0	\$0	\$15,000
2012	\$0	\$0	\$20,000
2013	\$20,000	\$0	\$5,500
2014	\$0	\$5,000	\$11,000
2015	\$0	\$0	\$26,000
2016	\$0	\$0	\$31,500
2017	\$0	\$0	\$37,000
2018	\$37,000	\$0	\$5,500
2019	\$11,500	\$0	\$0

Unused Contribution Room Breakdown		
Year		
2009	\$5,000	(Annual Contribution Limit*)
2010	\$5,000 + \$5,000 = \$10,000	(Unused Contribution Room) (Annual TFSA Limit*)
2011	\$10,000 + \$5,000 = \$15,000	(Unused Contribution Room) (Annual TFSA Limit*)
2012	\$15,000 + \$5,000 = \$20,000	(Unused Contribution Room) (Annual TFSA Limit*)
2013	\$20,000 + \$5,500 - \$20,000 = \$5,500	(Unused Contribution Room) (Annual TFSA Limit*) (Contribution)
2014	\$5,500 + \$5,500 = \$11,000	(Unused Contribution Room) (Annual TFSA Limit*)
2015	\$11,000 + \$10,000 + \$5,000 = \$26,000	(Unused Contribution Room) (Annual TFSA Limit*) (2014 Withdrawal)
2016	\$26,000 + \$5,500 = \$31,500	(Unused Contribution Room) (Annual TFSA Limit*)
2017	\$31,500 + \$5,500 = \$37,000	(Unused Contribution Room) (Annual TFSA Limit*)
2018	\$37,000 + \$5,500 - \$37,000 = \$5,500	(Unused Contribution Room) (Annual TFSA Limit*) (Contribution)
2019	\$5,500 + \$6,000 - \$11,500 = \$0	(Unused Contribution Room) (Annual TFSA Limit*) (Contribution)

*Annual TFSA Limit of \$5,000 (Years 2009-2012); \$5,500 (2013-2014; 2016-2018); \$6,000 (2019); \$10,000 (2015); \$5,500 (2016-2018); and \$6,000 (2019).

Withdrawals

There are no withdrawal restrictions on a TFSA. A Holder may withdraw funds at any time and at any age, unless restricted by investment terms (e.g. 3-year fixed deposit).

Since contributions are made from after-tax income and earning within the TFSA are tax-free, withdrawals do not generate taxable income and are not subject to withholding tax as in an RRSP.

Withdrawals from a TFSA do not result in the loss of contribution room for the Holder. The amount of the withdrawal taken from a TFSA is added back to the Holder's unused contribution room in the following year.

TFSA withdrawals do not increase the Holder's contribution room in the year of the withdrawal.

Withdrawals made during the current year should not be re-contributed to a TFSA until the following year otherwise the amount will be subject to a tax penalty on the over-contribution.

The withdrawal of ineligible amounts due to over-contributions, prohibited investments, asset-transfer (swap) transactions and income related to those amounts do not form part of the TFSA holder's re- contribution room.

If a TFSA Holder contributed the annual TFSA limit of \$6,000 and in one year the value increased to \$7,500. The Holder could withdraw the \$7,500, tax-free, and the following year the Holder's contribution room would increase by \$7,500 plus the annual TFSA limit.

On the other hand, if a TFSA Holder contributed \$5,500, saw the value decrease to \$2,000 and took a \$2,000 withdrawal, then the following year the contribution room would only increase by \$2,000 (plus the annual TFSA limit). The \$3,500 in contribution room from the original \$5,500 annual TFSA limit would be lost.

TFSA withdrawals do not impact eligibility for income-tested benefits and credits (e.g. OAS, GIS, Age Credit, HST/GST, EI, Canada Child Benefit, or the Canada Worker's Benefit (CWB), formerly known as the Working Income Tax Benefit).

Unlike withdrawals, most transfers will not affect the Holder's unused contribution room. Additionally, withdrawals for the purpose of correcting an over-contribution will not affect the Holders' unused contribution room.

Transfers

A TFSA is transferable to:

- Another TFSA owned by the Holder, unless restricted by investment terms (e.g. 3-year fixed deposit);
- The TFSA of a spouse/common-law partner named as the beneficiary on the death of the Holder by way of an exempt contribution; or
- The TFSA of a former spouse/common-law partner on a relationship breakdown.

In all the above cases, a transfer will not affect the contribution room of the Holder of the account receiving the funds. A Holder can instruct a financial institution to transfer from one TFSA to another TFSA in his or her name provided the proceeds are transferred directly, between the TFSAs. If funds are paid out first it would be considered a withdrawal. When funds are withdrawn, TFSA contribution room is not reinstated until the following year, so withdrawing funds to re-contribute to a new TFSA in the Holder's name could result in an over-contribution penalty situation.

When there is a breakdown in marriage or common-law partnership, an amount can be transferred directly from one individual's TFSA to the other's without affecting either's contribution room.

The following conditions must be met:

- The spouses or common-law partners are living separate and apart at the time of transfer; and
- The amount entitled to arises from a decree, order or judgment of a court, or under a written separation agreement.

The transfer must be made directly between the TFSAs.

No Attribution Rule

If an individual transfers property to his or her spouse or common-law partner, the income

earned on the transferred property is treated as income of the transferor.

The TFSA provides an exception to these “attribution rules”. Individuals can take advantage of the TFSA contribution room available to them using funds gifted by their spouse or common-law partner without the spouse or common-law partner incurring a tax liability on the income earned.

Death of a TFSA Holder

A TFSA is an effective estate management tool by providing for the designation of a beneficiary on the TFSA, effectively by-passing the Holder’s estate and probate fees.

A Holder may designate any individual to receive the proceeds of the TFSA upon their death. The following appointments apply in all jurisdictions except for Quebec:

SPOUSE AS SUCCESSOR HOLDER

A TFSA Holder may appoint his or her spouse or common-law partner as the successor Holder either in the TFSA account or in their will.

If named as the successor Holder the surviving spouse or common-law partner will become the new Holder of the TFSA immediately upon the death of the original Holder. The TFSA continues to exist and the successor Holder assumes ownership of the TFSA. Any income earned after the original Holder’s death will continue to be sheltered from tax under the new successor Holder.

The successor Holder, after taking over ownership of the TFSA, can make tax-free withdrawals from that account and can also make new contributions to that account (subject to their own unused TFSA contribution room).

SPOUSE AS DESIGNATED BENEFICIARY

If the Holder designates his spouse or common-law partner as a beneficiary instead of successor Holder, the surviving spouse or common-law partner has the option to make an election by

way of the CRA form RC240 (*Designation of an Exempt Contribution-Tax Free Savings Account (TFSA)*) to designate all or a portion of a value of the deceased's TFSA, at the time of death, to a TFSA in his or her name. The transaction must occur by the end of the year after the Holder's death and the CRA election must occur within 30 days of making the contribution.

DESIGNATED BENEFICIARIES

The Holder of a TFSA may designate an individual other than their spouse/common-law partner as beneficiary or may choose not to name any beneficiary at all.

When a TFSA Holder dies, and there is no successor Holder appointed, the TFSA ceases to exist and no longer benefits from a tax-free status. Any increase in the value of the TFSA after the date of death is considered taxable income to the receiving beneficiary or to the deceased Holder's estate, when no valid beneficiary designation exists. The value of the TFSA as of the date of death continues to be tax-free.

Gordon's mother passed away on July 9, 2018. The value of her TFSA on the date of death was \$10,000. Gordon is named the sole beneficiary on the TFSA. The TFSA is settled to Gordon on March 27, 2019 in the amount of \$10,300. As the value of the TFSA on the date of death is not taxable, Gordon receives the full amount of \$10,300, however he is issued a tax information slip in the amount of \$300 to report the taxable income earned in the TFSA from the date of death to the date of payout. Gordon must report this amount on his personal tax return for the year of the settlement.

DONATION TO A QUALIFIED DONEE

If a Canadian registered charity was named as a beneficiary of the deceased Holder's TFSA, the transfer of funds to the registered charity must occur within the 36-month period following the Holder's death.

The Holder should seek independent tax-advice prior to designating a registered charity as a beneficiary of their TFSA.

Borrowing Money to Purchase a TFSA

Interest on money borrowed to invest in a TFSA is not deductible for tax purposes as it is for money borrowed to buy non-registered investments.

Use of TFSA as Security for a Loan

A TFSA Holder may pledge his or her account as security for a loan where:

- The loan is an arms-length transaction, and
- No one other than the Holder will receive a taxable benefit of any kind from the proceeds of the loan.

Where a loan does not meet the requirements under the *Income Tax Act*, the CRA may deem the TFSA to be invalid the account will lose its tax-sheltered status.

Tax Payable

Excess TFSA Amount

Over-contributions above the annual contribution limit are subject to a penalty tax of 1% per month on the excess amount. In addition, the CRA may impose a penalty of 100% on any income earned from the excess contribution. Unlike the RRSP, there is no \$2,000 threshold for over contributions.

The 1% per month penalty will continue to apply for each month that the excess amount remains in the TFSA and It will continue to apply until the earlier of:

- The entire excess amount is withdrawn; or
- The entire excess amount is absorbed by the addition of unused contribution room in a later year.

If a partial withdrawal of the excess contribution is made, the 1% per month penalty will be reduced by that withdrawal.

Non-resident Contribution

If a Holder makes a TFSA contribution while they are a non-resident of Canada, the TFSA will be subject to a penalty tax in the amount of 1% for each month the non-resident contribution remains in the account. This penalty will continue to apply until the earlier of:

- The non-resident contribution is withdrawn in full and designated with the CRA as a withdrawal of non-resident contributions; or
- The Holder reestablished residency in Canada.

Non-Qualified or Prohibited Investments

If a TFSA holds a non-qualified investment, carries on a business, or invests in a prohibited investment, the TFSA will be subject to the following tax consequences:

The TFSA will be taxed on any income earned and capital gains derived from the non-qualified investment or business and is subject to trust reporting requirements to the CRA.

Prohibited investments are subject to a 50% tax on the value of the property at the time it was purchased or became a prohibited investment and subject to a 100% advantage tax on any income or gains derived from the property while it remains in the TFSA. The CRA implemented these tax measures to discourage abusive tax-planning arrangements within a TFSA.

Account Advantages and Benefits

If the Holder of a TFSA was provided with an advantage or certain benefit or debt that is conditional on the existence of the account, the TFSA may be subject to tax:

- In the case of a benefit, the FMV of the benefit; and
- In the case of a debt or loan, the amount of the debt or loan.

The *Income Tax Act* stipulates that a TFSA Issuer cannot provide the Holder with any benefits or advantages that are conditional in any way on the existence of the TFSA such as merchandise, trips or interest free loans. These types of incentives are taxable to the Holder.

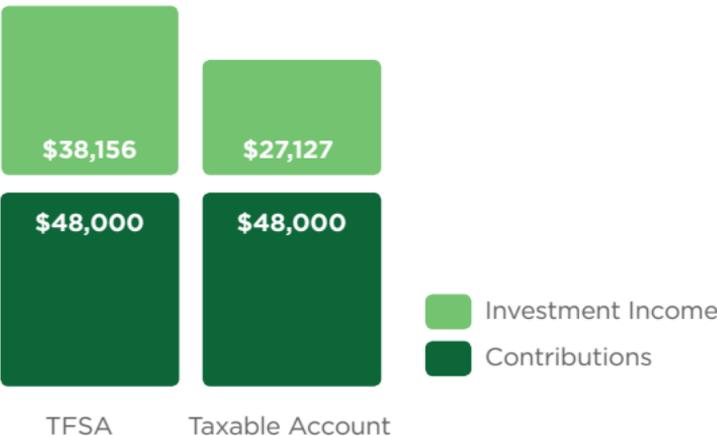
The CRA has granted exceptions to certain benefits, which will not be taxed to the Holder so long as the benefit is credited directly to the TFSA and not to the Holder.

TFSA vs. Non-Registered Investment Account

In a TFSA, investment income and capital gains are not subject to tax resulting in your savings growing faster than it would in a traditional non-registered investment account.

A Holder contributing \$200 a month for 20 years to a TFSA and earning an annual rate of return of 5.5% would experience an additional \$11,029 in savings compared to contributing the same amount in a non-registered account.

TFSA VS. NON-REGISTERED SAVINGS ILLUSTRATION



Assumptions: The results above are based on a low income-earner making monthly contributions of \$200 for 20 years and earning an annual rate of return of 5.5%. The benefits of the TFSA over a non-registered investment

account increases as the Holder's marginal tax rate increases.

This example is hypothetical and for illustrative purposes only and is not intended as a replacement for investment advice.

TFSA vs. RRSP

The TFSA and the RRSP both offer tax efficient savings, but there are key differences as noted below:

	TFSA	RRSP
Tax Deductible Deposits	NO	YES
Tax-Sheltered Growth of Investments	YES	YES
Taxed Withdrawals	NO	YES
Spousal Contributions	NO*	YES
Unused Contribution Carry-Forward	YES	YES
Withdrawals Increase Contribution Room	YES	NO
Withdrawals Affect Federal Gov't Benefits	NO	YES
Maximum Age Limit	NO	YES
Contribution Limit Based on Earned Income	NO	YES
Maximum Contribution (2019)	\$6,000	Lesser of \$26,500 or 18% of previous year's earned income

*An individual may gift funds directly to a spouse or common-law partner to contribute to his or her own TFSA.

One aspect to consider when deciding whether to contribute to a TFSA or RRSP is how an investor's tax rate at the time of withdrawal will compare to his or her current tax rate.

If at the time of expected withdrawal:

- The expected tax rate is similar to the investor's tax rate when contributing; the TFSA and RRSP are equally attractive.
- The expected tax rate is lower than the investor's tax rate when contributing; then the RRSP may be a better choice.
- The expected tax rate is higher than the investor's tax rate when contributing; then the TFSA may be a better choice.

Where Do You Go From Here

Contact one of the qualified investments specialist at your financial institution to discuss any questions you may have about the TFSA that is not contained in this brochure.

Ask your advisor about your deposit insurance protection prior to making any investment decisions in your TFSA.

Notes

This brochure has been created to provide basic information regarding the Tax-Free Savings Account as a courtesy of your financial institution and is based on legislation in effect as of May 2019.

All examples provided are hypothetical and for illustrative purposes only. Please contact your investment representative at your branch to obtain personalized advice on your financial plan. Further information related to the TFSA and other registered products may be obtained through the Government of Canada website or by phone at 1-800-959-8281.



® HANDS & GLOBE Design is a registered certification mark owned by the World Council of Credit Unions, used under license.

© 2019 CENTRAL 1 CREDIT UNION