

The TFSA Advantage: How It Compares to an RRSP

What makes a TFSA so flexible?

- Your money grows tax-free — no tax on interest, dividends, or capital gains
- You can invest in a broad range of qualifying investments, including cash, GICs, mutual funds, ETFs, bonds and stocks
- Withdrawals aren't taxed and amount withdrawn can be added back to your annual contribution room the following year
- Unused contribution room isn't lost — it carries forward year after year¹
- You can support a family member, by gifting funds for their own TFSA (within their personal limit)²

How can a TFSA fit into your plan?

- You can supplement your retirement income — without increasing taxable income
- Provide additional tax-shelter investment if you've already maxed out your RRSP
- You want savings that are accessible if life changes and you need to access funds
- To save for short or medium-term goals with easy access to funds
- To preserve government benefits, since TFSA withdrawals don't affect programs like Old Age Security or the GST credit³

What's the difference between a TFSA and an RRSP?

Feature	Tax-Free Savings Account ("TFSA")	Registered Retirement Savings Plan ("RRSP")
Contribution Room	Individuals accumulate contribution room once reaching the age of 18, at a rate equal to the annual contribution limit set each year, regardless of their level of income.	You must have prior year "earned income" in order to accumulate contribution room.
Contributions	Contributions are not tax-deductible on your income tax return.	Contributions are tax deductible on your income tax return.
Withdrawals	Withdrawals are tax-free. Any amount withdrawn (excluding qualifying transfers) is added to your contribution room in the following year.	Withdrawals are taxable in the year of withdrawal (with some exceptions). Any amount withdrawn cannot be added to your contribution room in the following year.
Account Conversion	TFSA's never require conversion to a retirement income plan such as a RRIF, and have no mandatory withdrawals.	An RRSP must be collapsed or be transferred to a Registered Retirement Income Fund ("RRIF") or annuity by the end of the year you turn 71.

Both TFSA's and RRSP's can be valuable — but they work differently.

A TFSA offers flexibility and tax-free access at any time, while an RRSP focuses on tax deductions today and taxable income later. The right balance depends on your situation and how and when you expect to use your savings.



For more information, please speak with your BMO Private Wealth professional.



¹Information regarding your personal RRSP and TFSA contribution limits is available through the Canada Revenue Agency's My Account eService at: <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>.

²However, the Canada Revenue Agency takes the position that the attribution rules could apply when the funds gifted to contribute to a TFSA are subsequently withdrawn, i.e., where future income and/or capital gains are realized on funds withdrawn that are subsequently re-invested (outside of the TFSA).

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