

Tax-Free Savings Account (TFSA)



Individuals, 18 years of age and older¹, can contribute up to \$5,000 per year to a Tax-Free Savings Account (TFSA) where the holdings grow and earn income tax-free.

The TFSA may be a suitable savings vehicle for you, depending on your financial goals. Given the tax-free nature of the investment income and flexibility regarding withdrawals and re-contributions, there are many options we could explore and take advantage of.

Whether you have short, medium or long-term savings goals, I can help you determine a strategy that is right for you. The savings you build in the TFSA can be used at anytime and for multiple purposes - it's completely up to you!

How does a TFSA work?

- The TFSA is a new kind of tax-advantaged savings vehicle which will provide every Canadian, age 18 and older¹, with the opportunity to invest \$5,000 a year tax-free. However, individuals must be the age of majority in their province of residence to open a TFSA with BMO Nesbitt Burns.
- The \$5,000 annual limit begins in 2009, is indexed to inflation and increases will be made periodically in \$500 increments. There is no lifetime maximum contribution limit - only an annual limit.
- Unlike an RRSP, contributions to a TFSA are not deductible for income tax purposes - however all investment income (interest, dividends & capital gains) earned within a TFSA account is not taxable annually or upon withdrawal.
- The dollar value of any withdrawals you make from your TFSA in one year are added to your unused TFSA contribution room in the following year.
- Like an RRSP, unused TFSA contribution room can be carried-forward indefinitely. For example, if you only contribute \$3,500 (vs. \$5,000) to your TFSA in 2009, you can contribute \$6,500 in 2010 (i.e. \$1,500 from 2009 plus \$5,000 for 2010).
- Money can be withdrawn tax free from a TFSA at anytime, and for any purpose.
- In general, a TFSA is permitted to hold the same investments as an RRSP.
- Neither the income earned within a TFSA nor withdrawals from it will affect your eligibility for federal income-tested benefits & credits (e.g. Old Age Security, Child Tax Benefit, GST credit, Age credit).
- You can provide funds to your spouse, common law partner, or adult children allowing them to make a contribution to their own TFSA (subject to their personal TFSA contribution limit). None of the income earned within their TFSA would be attributed back to you as source of the funds.

¹For BMO Nesbitt Burns, TFSA account holders are required to be the age of majority to open a TFSA - for some jurisdictions (B.C., N.S., N.B., Nfld., Yukon, NorthWest Territories, Nunavut) the age of majority is 19.



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