

How Can TFSAs Benefit You?



A Tax-Free Savings Account (TFSA) is a flexible, registered, general-purpose savings account. Unlike other savings accounts, it allows you to earn investment income without a tax penalty. To find out the TFSA limit for this year, visit: <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/tfsa-celi/cntrbtn-eng.html>

Why choose a TFSA?

TFSAs give you a way to set aside money with the added benefit of earning tax-free investment income. Depending on the investments you choose within your TFSA, you can withdraw money at any time, without paying tax. This makes TFSAs great investment options for short-term goals like a vacation, an emergency fund — or for long-term goals like buying a home or saving for retirement.

Within a TFSA, you can hold a range of investments including cash, bonds, stocks, GICs, and mutual funds. TFSAs offer different tax options than RRSPs. Depending on your annual income or if you're a member of a registered pension plan, a TFSA may offer more flexibility for withdrawing funds when you retire.

Tips on how to invest more

While not everyone will be able squirrel away money into a TFSA, the key is to contribute what you can, when you can. And with some smart money management, like having a personal budget in place, you may be surprised by the amount of money you are actually able to save. If you're finding it hard to remember to set aside money on a regular basis, consider setting up a pre-authorized payment plan to contribute to your TFSA on a monthly, bi-weekly or weekly basis. Every little bit counts and can really add up over time.

10 Facts about TFSAs

1. Unlike RRSPs, your TFSA contributions are not tax deductible.
2. You have a wide range of investment options within TFSA including cash, bonds, stocks, GICs, stocks, and mutual funds.
3. You don't pay taxes when you withdraw money from your TFSA.
4. You don't pay taxes on any investment earnings you make within your TFSA.
5. Any contribution room you don't use is carried forward and accumulated in future years.
6. You never lose your contribution room, even if you make a withdrawal. Any amount you withdraw from your TFSA can be re-contributed the following year in addition to the annual maximum.
7. You can give funds to your spouse or common-law partner for them to invest in their TFSA.
8. Your eligibility for federal income-tested benefits and credits is not affected by the income you earn from your TFSA or any money you withdraw from it.
9. You don't need to earn an income to contribute to a TFSA.
10. If you are a resident of Nova Scotia, New Brunswick or Newfoundland and Labrador aged 19 and older with a social insurance number, you can open a TFSA. In Prince Edward Island residents can open a TFSA when they turn 18.*

*In most provinces, Canadian residents can open a TFSA at age 18 and older. Though residents of New Brunswick, Nova Scotia and Newfoundland and Labrador must wait until they are 19 to open a TFSA, your contribution room will start accumulating from the time you reach 18.