

THE NEW TAX FREE SAVINGS ACCOUNT HELPS YOU SAVE AT EVERY STAGE.

On January 1, 2009, the Tax Free Savings Account (TFSA) was introduced. This program enables a broad cross-section of Canadians to save taxes on their investment income. While the account's flexibility makes it particularly effective for meeting a variety of consumption-oriented savings goals such as home purchase, renovations or travel, the TFSA can also complement the longer term savings Canadians are managing with their RRSPs.

Through the combined coverage of the TFSA and existing registered plans, it is estimated that over 90% of Canadians will eventually hold all of their financial assets in a tax-advantaged savings vehicle.

Key features of the new Tax Free Savings Account are outlined below...

Eligibility

The TFSA is available to Canadian residents 18 and older with a valid Social Insurance Number. Generally, investments that are RRSP-eligible such as mutual funds, GICs, savings accounts and publicly traded securities can be held in a TFSA.

Tax Free Income

Investment income earned in a TFSA will be tax-free, regardless of whether it is interest, dividends or capital gains. This is distinct from RRSPs where income tax is simply deferred.

Contributions

The maximum contribution limit for 2009 is \$5,000. Contributions are not tax deductible. This limit is the same for every qualifying individual, and unlike under RRSPs, is not dependent on earned income. Under the TFSA, unused contribution room can be carried forward indefinitely. Someone who chooses not to make any contributions to a TFSA for the first 10 years would accumulate \$50,000 in contribution room. There is no upper age limit to contributing to a TFSA, unlike an RRSP which must be wound down after age 71.

Withdrawals

Because contributions are made with after tax income, withdrawals from the plan are tax-free. Plus, withdrawals from the plan (principal and income) 'add-back' an equivalent amount in contribution room available the following year.

Upon death, TFSA assets can be transferred to a spouse without impacting the recipient's contribution room.

Effect on Government Benefits

Income generated under a TFSA and amounts withdrawn are not included in determining eligibility for income-tested benefits and credits such as the Canada Child Tax Benefit, Old Age Security, GST Credit or Guaranteed Income Supplement.