

Tax Free Savings Account Fact Sheet

Contributions:

- Contributions to a Tax Free Savings Account (TFSA) can begin on January 2, 2009.
- Canadians aged 18 years or older can contribute up to \$5,000 annually to a TFSA. This annual contribution limit will increase with inflation, in \$500 increments.
- Investors will need a valid Social Insurance Number (SIN) to begin contributions.
- Any unused contribution room can be carried forward. There is no limit to the contribution room that can be carried forward.
- For income-splitting purposes, contributions can be made to a spouse's TFSA (spousal contributions are subject to the spouse's available contribution room. Income attribution rules will not apply).
- Investors may hold more than one TFSA, but their total annual contribution is limited to their available contribution room for the year.
- The federal government will advise all taxpayers of their TFSA contribution limit each year.
- Investors do not need to have earned income to contribute to a TFSA.

Withdrawals:

- Tax-free withdrawals can be made at any time and for any purpose.
- Amounts withdrawn may be re-invested in the following year, without affecting an investor's contribution room.
- Income earned or withdrawals made from a TFSA will not affect an investor's federal income-tested benefits and credits such as the Child Tax Benefit, Guaranteed Income Supplement, Old Age Security benefits, and Goods and Services Tax credit.

Taxation:

- Interest, dividends, and capital gains earned within a TFSA will not be taxed.
- Contributions are not tax-deductible.
- Interest incurred on loans made for contributions to a TFSA are not tax-deductible.
- Investors will have the option of transferring their TFSA assets to a spouse or common-law partner upon death without impacting the survivor's contribution room.

Eligible Investments:

- Most investments that can currently be held in an RRSP will be eligible for holdings in a TFSA. This includes mutual funds, Guaranteed Investment Certificates (GICs), publicly-traded securities, government and corporate bonds.
-

Some TFSA Strategies to consider

Each investor has their own unique investment goals and a TFSA can be used to complement their existing financial planning strategy.

A TFSA can be used to:

- Finance short-term goals, such as a new car, a vacation or savings for an emergency.
- Finance long-term goals, such as enhancing retirement or education savings.

Some potential scenarios when a TFSA may be a valuable addition to an investor's financial plan:

- For investors who want to invest in shorter-term, interest-bearing securities and securities that generate foreign dividends. As these asset classes normally attract the highest rate of taxation, investors can shelter their gains in a TFSA.
- For investors who want to split their income and allow their family to maximize the tax free income that is available to them. Contributions can be made to a spouse or common law partner's TFSA. Parents may contribute to their adult children's TFSA, provided the child is over 18 years of age and has a valid SIN.
- For investors who want a retirement investment alternative when they have maximized their Registered Retirement Savings Plan (RRSP) contributions.
- For investors who do not need the mandatory withdrawals from their Registered Retirement Income Fund (RRIF) immediately. These RRIF payments may be used as a contribution into a TFSA for continued growth.

Call us for more information on the benefits of investing in a TFSA.

The Baxter Team

Phone: 416-640-7526

Fax: 416-640-2177

Website: www.ipccteam.com

5399 Eglinton Ave. West, Suite 206

Etobicoke, Ontario M9C 5K6

CARP Recommended

 **Investment
Planning Counsel**[®]
IPC INVESTMENT CORPORATION

Trademarks owned by Investment Planning Counsel Inc. and licensed to its subsidiary corporations. Investment Planning Counsel, is a fully integrated Wealth Management Company. Mortgage broker services provided by IPC Save Inc. (Ontario Lic. #10227). Mutual Funds available through IPC Investment Corporation and IPC Securities Corporation. Securities available through IPC Securities Corporation, a member of CIPF. Insurance products available through IPC Estate Services Inc.
