

Introducing Tax-Free Savings Accounts A new way to save

Canadians now have a new way to save with a tax-free savings account (TFSA). As a rare opportunity to generate tax free income, a TFSA can be an important part of your investment plan.

With a TFSA:

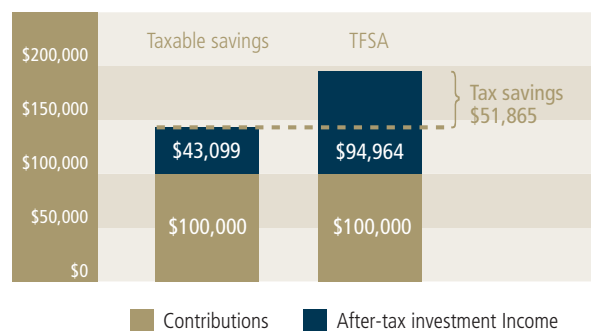
- You can contribute up to \$5,000 every year and pay no tax on the growth and earnings of the account.
- The \$5,000 annual contribution limit is indexed to the Consumer Price Index and rounded to the nearest \$500.
- You can hold the same investments as registered accounts, including mutual funds, segregated funds, stocks and bonds.
- You never lose your contribution room. Any amount withdrawn from the account is added back to your contribution room for the following year.
- Unused contribution room can be carried forward indefinitely to future years.

Comparing Savings Vehicles

TFSA versus a non-registered account

Capital gains and other investment income earned in a TFSA are not taxed.

So, if you contributed \$5,000 a year for 20 years to a TFSA, you would enjoy a total tax savings of \$51,865 over a non-registered account.



Assumes a \$5,000 annual contribution for 20 years, a 6% rate of return and an average tax rate of 45%.

The table shown here is used only to illustrate the effects of the compound growth rates and is not intended to reflect future values of invested contributions. The rate of return used is for illustrative purposes only.

Calculating contribution room

In 2009, Kim contributes the maximum \$5,000 to her TFSA. The following year, 2010, she withdraws \$2,200 and makes no further contributions during 2010 and 2011. At the end of 2011 her TFSA has \$3,500.

In 2012, she can contribute:

- the \$2,200 that was withdrawn in 2010
- \$10,000 (\$5,000 for her 2010 and 2011 unused contribution room)
- and, \$5,500 for 2012*
- for a total of \$17,700.

Any deposits made during 2012 will be deducted from \$17,700. If she does not use up her full contribution room during the year, she can carry it forward to future years.

* Includes estimated \$500 increase for inflation

Tax-Free Savings Accounts

Comparing TFSAs and RRSPs

TFSA	RRSP
For virtually all savings and investment objectives	Primarily for retirement savings
Contributions are made with after-tax income	Contributions are tax deductible
Contribution room is added back when withdrawals are made	Contribution room is used up when withdrawals are made
Withdrawals are tax free	Withdrawals are added to income and taxed at your current rate
No requirement to withdraw at any age	Must be converted to a RRIF by age 71; withdrawals after that age are mandated according to a schedule based on age
Contributions can be made any time for those age 18 and older	Contributions cease at age 71
Annual maximum contribution – \$5,000 indexed to inflation	Annual maximum contribution – 18% of earned income in the previous year to a maximum of \$21,000 in 2009

Choosing the right investment

Tax-free savings accounts can be valuable tools in financial planning. They can be used in many ways – for an emergency fund, for short or medium-term savings for a specific purpose, to generate supplemental income, or for long-term investments.

Assante Wealth Management is a leading provider of integrated wealth management solutions, designed to meet the needs and goals of individuals, families and businesses across Canada.

At Assante, we recognize your needs are unique. That's why we follow a comprehensive and integrated approach to wealth management.

Talk to your Assante advisor about the best way to incorporate a TFSA into your savings and investment plan.