



## The Tax-Free Savings Account

Beginning in January 2009, Canadians will have a new tax-sheltered option for saving money, thanks to the new Tax-Free Savings Account (TFSA). Introduced by the federal government in their 2008 Budget, the TFSA will allow you to save or invest your money without having to pay tax on any income or capital gains. You can also withdraw funds tax-free at any time. That's great news for Canadians, and a great incentive for you to save money and watch it grow faster than before – tax-free!

This outline is based on the measures passed into law on June 18, 2008. As the January implementation of the TFSA draws nearer, more information will become available.

### GETTING STARTED

The TFSA will be suitable for individuals of all income levels, whether you are just starting out or you have already accumulated substantial savings and investments. And it couldn't be easier to set one up. Any Canadian resident who is 18 years of age or older and has filed a tax return will be able to establish a TFSA at DundeeWealth by completing the appropriate documentation once the TFSA officially becomes available in January 2009.

Unlike a Registered Retirement Savings Plan (RRSP) or a Registered Educational Savings Plan (RESP), a TFSA is designed to help you save for any financial goal at any point in the future, for what matters most to you – a car, home renovations, starting a new business, a rainy day or retirement. You may even be able to use your TFSA assets as security for a loan.

### CONTRIBUTIONS

Initially, your annual contribution room is \$5,000 per calendar year. You will not have to contribute the maximum every year, as the unused contribution room can be carried forward to future years. This contribution room is in addition to any RRSP contribution limit you may have, but unlike an RRSP you won't be able to deduct your TFSA contributions on your income tax return.

In future years, the \$5,000 annual contribution will be indexed to inflation in annual \$500 increments. Unused contribution room will be carried forward indefinitely, and there is no limit to how much contribution room can be carried forward.

You will be able to hold more than one account, but total contributions across all accounts cannot exceed your accumulated contribution room in any calendar year. If you do over-contribute, the Canada Revenue Agency will assess a 1% penalty for each month that excess contributions remain in your account.

## WITHDRAWALS

You will be able to withdraw funds from your TFSA at any time, for any reason. Withdrawals will not be subject to taxes, so you can keep all that you have earned.

The amount withdrawn during the year will be added to your unused contribution room the following year. So you don't lose contribution room by withdrawing – you get it back in the following calendar year. Your contribution room for the next year will increase to reflect the amount of your withdrawal the previous year.

You will also have the option to transfer your TFSA assets to your spouse or common-law partner upon death without any impact on the survivor's existing contribution room.

## ELIGIBLE INVESTMENTS

Most investments that can currently be held in an RRSP will also be eligible for your TFSA, including certain savings deposits, GICs, mutual funds, stocks and bonds.

## INVESTMENT INCOME

Although TFSA contributions cannot be deducted from your income tax return, any earned income or capital gains will not be taxed. And money you take out of your TFSA won't affect federal income-tested benefits and credits like Old Age Security, the Goods and Services Tax Credit and the Canada Child Tax Benefit.

There's a lot to like about the Tax Free Savings Account. As well as reducing taxes on savings and investment income, it offers income splitting opportunities and the ability to minimize social benefit clawbacks. Your Dundee Advisor can help you determine the best way to integrate it into your overall financial plan when it becomes available in January 2009.



At DundeeWealth, we believe that having a financial plan forms the foundation necessary to grow, protect and transfer wealth from one generation to the next. We are committed to provide information on a variety of financial planning topics so our clients are able to make informed decisions.

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