Making the most of your TFSA

The Tax-Free Savings Account (TFSA) represents a unique way for Canadians to save money and pay less tax.

Six key TFSA facts

1. Every year, your TFSA has contribution room limits. Since 2009, the Canadian government has set a maximum amount that qualified Canadians can contribute to their TFSA every year, regardless of income.
2. Unused TFSA contribution room can be carried forward indefinitely to future years. If you didn't contribute the maximum amount in a given year, you're allowed to "catch up" in the future, within the overall limits of your TFSA contribution room limits.
3. At any point, if you contribute more than the total allowed contribution limit, the over-contribution amount will be subject to a tax penalty.
4. Withdrawals are not considered as taxable income and will generally not trigger government benefit clawbacks or affect tax credits.
5. Any withdrawals from your TFSA are added to your TFSA contribution room limit in the following year, so you can recontribute the amount you withdrew in a future year.
6. You can have more than one TFSA, but be careful that your combined accounts do not create an over-contribution; you cannot over-contribute without a tax penalty. You can check your TFSA contribution limit by going to the CRA website and logging in to My Account.

TFSA contribution room limit by year from 2009 to 2024*

YEAR	CONTRIBUTION LIMIT
2009	$5,000
2010	$5,000
2011	$5,000
2012	$5,000
2013	$5,500
2014	$5,500
2015	$10,000
2016	$5,500
2017	$5,500
2018	$5,500
2019	$6,000
2020	$6,000
2021	$6,000
2022	$6,000
2023	$6,500
2024	$7,000
Total	**$95,000**

Tax-saving opportunities for everyone

Did you know if you've never opened a TFSA, you can contribute up to $95,000 today?*

Since 2009, TFSAs have represented a unique way for Canadians to save money and pay less tax. Any Canadian resident with a social insurance number who has reached the age of majority in their province could open a TSFA. They are called "savings accounts," but TFSAs can hold many different types of investments, including all Fidelity Funds.

In your 20s and 30s...

Young people need to strike a balance between today's expenses and tomorrow's needs. With your advisor, you can create a TFSA strategy that helps you afford the cars, vacations, home down payment and other things you really want, while still saving for the future.

In your 40s and 50s...

While you're starting to think about retirement, you're also beginning to earn more income, save for your children's education and pay down debt. A TFSA can help to increase your tax-advantaged savings.

In your 60s and older...

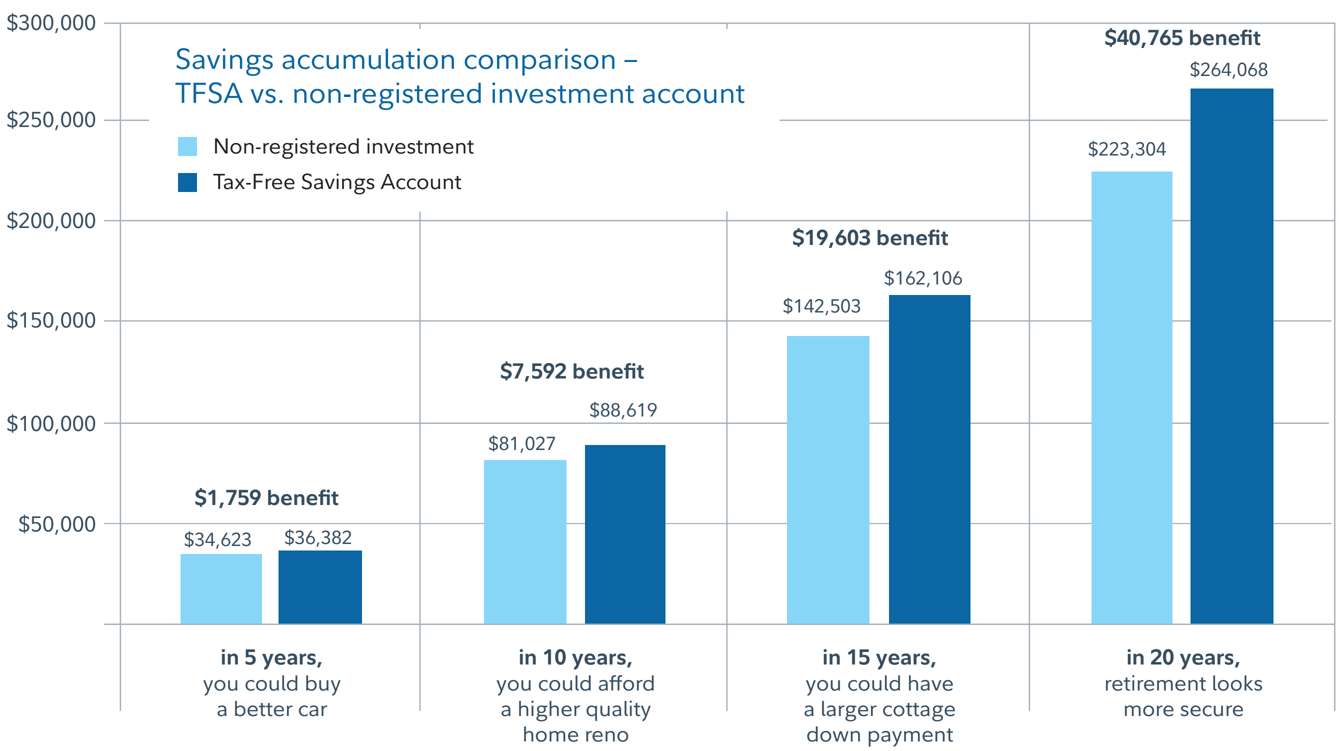
When you retire, withdrawals from a TFSA will not affect your eligibility for Old Age Security or the Guaranteed Income Supplement. TFSA cash flow can also help you delay taxable RRSP withdrawals until age 71.

Alternatively, you can save in a TFSA during retirement, since there is no contribution age limit. For instance, if you have extra funds to invest, such as proceeds from the sale of real estate, you can invest this in your TFSA.

A TFSA can help you achieve your goals.

Whether you're saving for a car, a house or a comfortable retirement, the additional savings benefit of a TFSA can be significant both in the short and the long term. The following table illustrates the difference between savings in a TFSA compared with non-registered investment over five-, ten-, 15- and 20-year periods.

Savings accumulation comparison – TFSA vs. non-registered investment account



For illustrative purposes. Assumptions: Rate of return of 6%, marginal tax rate of 50% for interest and 25% for capital gains, distributions reinvested, distribution yield of 2.0%, distribution composed of 50% interest and 50% capital gain, initial contribution of $6,000 and contributions increase in $500 increments based on a 2% inflation rate. Contributions were made at the beginning of the period. Unrealized capital gains were taxed at the end of the holding period. This assumption ignores contributions from prior years. The mathematical table shown is used to illustrate the effects of the compound growth rate and is not intended to reflect future values or returns on investment in any fund.

Save – but in what?

The table below identifies common primary and secondary purposes of Canada's popular savings accounts and a TFSA. As you can see, the TFSA is highly versatile, offering more primary savings purposes than any other plan. It is the most flexible tax-advantaged savings vehicle in Canadian history.

The best idea? A TFSA is an excellent complement to RRSPs, RESPs and non-registered accounts. Talk to your advisor to find out how a TFSA can fit into your overall financial plan.

	SAVINGS NEED			
	GENERAL SAVING	**HOME PURCHASE**	**EDUCATION**	**RETIREMENT**
TFSA	**Primary purpose** Contribute to a TFSA for your general savings needs.	**Primary purpose** Contribute to a TFSA to increase savings for a home purchase.	**Secondary purpose** After contributing $2,500 to an RESP, contribute to a TFSA to help pay for a child's education. Contribute to a TFSA to pay for your education.	**Primary purpose** Contribute to a TFSA when the tax rate at the time of contribution is expected to be equal or lower than in retirement. There is no age limit at which TFSA assets must be withdrawn.
NON-REGISTERED	**Secondary purpose** Contribute to a non-registered account after a TFSA for general savings needs.	**Secondary purpose** Contribute to a non-registered account after a TFSA and an RRSP to purchase a home.	**Secondary purpose** Contribute to a non-registered account after an RESP and a TFSA to pay for a child's education.	**Secondary purpose** Contribute to a non-registered account after an RRSP and a TFSA.
RRSP	Not intended for this purpose.	**Secondary purpose** Contribute to an RRSP and use the Home Buyers Plan to purchase a home.	**Secondary purpose** Contribute to an RRSP and use the Lifelong Learning Plan to pay for your education.	**Primary purpose** Contribute to an RRSP when the tax rate at the time of contribution is expected to be equal or higher than in retirement. An RRSP must be converted to a RIF at age 71.
RESP	Not intended for this purpose.	Not intended for this purpose.	**Primary purpose** Grant of 20% on contributions up to $2,500 to pay for a child's education.	Not intended for this purpose.

How is a TFSA different from a non-registered account?

Investment income and growth earned in a non-registered account are taxable.

With a TFSA,

- Investments grow tax-free inside the account.
- Withdrawals are completely tax-free.
- Withdrawals do not count as income for tax purposes, so they do not raise your tax rate or affect eligibility for income-tested government benefits, such as Old Age Security and the Guaranteed Income Supplement.

How is a TFSA different from an RRSP?

Contributions to an RRSP are tax-deductible, and investments inside an RRSP are allowed to grow tax-deferred. However, RRSP withdrawals are taxed at your marginal tax rate. RRSP income can also raise your tax rate and/or affect your eligibility for government benefits. TFSA contributions are not tax-deductible; however, TFSA investments grow tax-free inside the account.

* Restrictions apply: Starting in 2009, TFSA contribution room accumulates every year if at any time in the calendar year you are the age of majority or older and a resident of Canada. In British Columbia, Newfoundland and Labrador, Nova Scotia and New Brunswick, the age of majority is 19, and a TFSA may not be opened until then. However, you will accumulate contribution room from the time you are 18. TFSA contribution limits are determined by indexing $6,000 to inflation for each year after 2009 and rounding the result to the nearest $500.

For more information, contact your advisor or visit **fidelity.ca**

Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds and ETFs. Please read the mutual fund or ETF's prospectus, which contains detailed investment information, before investing. Mutual funds and ETFs are not guaranteed. Their values change frequently, and investors may experience a gain or a loss. Past performance may not be repeated.

This information is for general knowledge only and should not be interpreted as tax advice or recommendations. Every individual's situation is unique and should be reviewed by his or her own personal legal and tax consultants.

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