Video 3

Chapter 3: Glossary terms

First Home Savings Account (FHSA)

A registered plan that allows first-time home buyers to save to buy or build a qualifying first home tax-free.

Non-registered account

A type of investment account that is subject to tax when income is earned on investments held in the account. It's sometimes called a "taxable" or "open" account. It has no contribution limits, so you can save as much as you want without any penalty. There are also no withdrawal limits. Anyone over the age of 18 (or 19 in certain provinces) can open a non-registered account. It's useful if you've reached your contribution limit on a RRSP or a TFSA. Investment income earned and gains realized are taxable, unlike a TFSA. Your contributions to a non-registered account are not tax-deductible, you won't receive a tax deduction, as you do with an RRSP contribution.

Non-tax-deductible

A non-tax-deductible investment account is an investment account that doesn't allow you to deduct your contributions from your taxes. Instead, contributions are made with after-tax dollars.

Registered Education Savings Plan (RESP)

A savings account in Canada that helps parents save money for their children's post-secondary education. The government adds extra money through grants, and the savings grow tax-free until they are withdrawn for school expenses.

Registered Retirement Income Fund (RRIF)

An arrangement between yourself and a carrier (insurance company, a trust company or a bank) in which you transfer money from your RRSP to another registered plan, the RRIF.

Registered Retirement Savings Plan (RRSP)

A savings account in Canada that helps individuals save for retirement. RRSPs are registered with the Canada Revenue Agency (CRA).

Registered account

Investment account that is given tax-deferred or tax-sheltered status by the government. Income earned on the account is not taxed until withdrawn or, in the case of a TFSA, is typically not subject to taxation. An example is the RRSP (Registered Retirement Savings Plan).

Tax-deductible

Means that an expense can be subtracted from your income before calculating how much tax you owe.

Tax-Free Savings Account (TFSA)

An account for individuals who are 18 years and older and have a valid social insurance number (SIN), to set money aside tax-free throughout their lifetime. Contributions to a TFSA are not deductible for income tax purposes. Any amount contributed, as well as any income earned in the account, is generally tax-free, even when it's withdrawn. Administration or other fees and any interest or money borrowed to contribute to a TFSA are not tax-deductible.

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