

Boost your savings with a Tax-Free Savings Account

Saving money for expenses such as a vacation, a new car or a home renovation can be challenging. But thanks to the federal government's new Tax-Free Savings Account (TFSA), it's now easier. TFSAs offer Canadians an investment vehicle that allows savings to appreciate tax-free throughout their lifetime.

What is the difference between a TFSA and a registered retirement savings plan?

Both plans offer tax advantages, but there are some important differences.

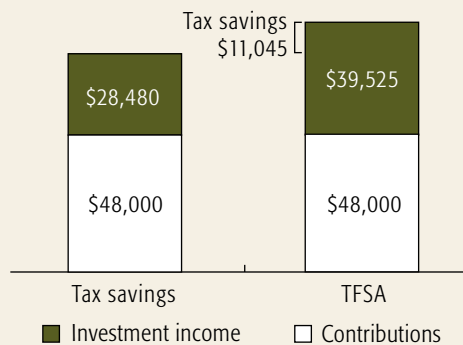
- Your contributions to an RRSP are deductible and reduce your income for tax purposes. Your TFSA savings are not deductible.
- Your withdrawals from an RRSP are added to your annual income and taxed at current rates. Your TFSA withdrawals and growth of your savings will be tax-free.

How the TFSA works

- Starting January 1, 2009, Canadians aged 18 and older can save up to \$5,000 every year in a TFSA, with contribution limit increases in subsequent years subject to inflation.
- Investments similar to those eligible for Registered Retirement Savings Plans (RRSPs), generally can be held in a TFSA.
- Contributions to a TFSA will not be deductible for income tax purposes, but investment returns – interest income, dividends and capital gains – will not be taxed, even when withdrawn.
- Canadians who cannot contribute \$5,000 in a given year will be able to carry forward their unused contribution room to future years.
- Account holders can withdraw funds from the TFSA at any time and for any purpose.
- The amount withdrawn can be put back in the TFSA in the following or subsequent years without reducing contribution room.
- Your contribution to a TFSA does not have an impact on your annual RRSP contribution limit.

Benefits of saving in a TFSA compared to a non-registered account

Because capital gains and other investment income earned in a TFSA will not be taxed, a person contributing \$200 a month for 20 years will enjoy additional tax savings of \$11,045 compared to saving in an unregistered account.



Combined federal and provincial tax savings based on a \$200 monthly contribution for 20 years and a 5.5% rate of return. For unregistered savings, a 21% average tax rate on investment income is assumed (based on 40% interest, 30% dividends and 30% capital gains, and a middle-income earning account holder).

Beneficial for Canadians and their various financial needs

- Canadians can contribute to their spouse's or common-law partner's TFSA, without being subject to income attribution rules, depending on their spouse's or partner's available room. Assets can also be transferred to a spouse upon death.
- Contribution limits are not determined by income (although annual tax returns must be filed with CRA in order to generate contribution room).
- TFSAs can provide seniors with a tax-free savings vehicle, something they have only limited access to once they reach age 71 and are required to begin drawing down their registered retirement savings.
- Low- and modest-income Canadians will benefit as the income earned in the TFSA or any withdrawals will not affect their eligibility for the Guaranteed Income Supplement and the Canada Child Tax Benefit (or any other federal income-tested benefits and credits).
- TFSAs offer an alternative, tax-free solution to Canadians who have maximized their RRSP contribution room.
- TFSAs can complement the savings of individuals who need extra income for various expenses, such as a child's tuition, home renovation or an emergency fund.

Contact your financial advisor today to learn the benefits of using the Tax-Free Savings Account (TFSA) with investment funds managed by Sentry Select.