INVESTMENT PLANNING COUNSEL'S

Special Report

Live your dream.

Turbocharge YOUR TFSA

For the first time since its launch in 2009, the Tax-Free Savings Account (TFSA) has received a power boost – an extra $500 in annual contribution room to grow your money even faster.

The tax and savings opportunities provided by TFSAs have never been better. Late in 2012, the government announced it would be increasing the annual contribution limit by $500 to reflect inflation (see sidebar below). Starting this year, you can contribute up to $5,500 each year. With a lifetime maximum to date of $31,000 – rising by at least $5,500 each year – TFSAs cannot be ignored by any Canadian over age 18. No other savings vehicle is as versatile or powerful as a TFSA.

HOW MUCH POWER?

The federal government has quantified the potential impact of its $500 turbo-boost. It estimates that over 20 years, a middle income earner could accumulate about $2,340* more in tax savings for every $500 invested in a TFSA versus $500 in a taxable account (assuming a 5.5 per cent annual rate of return). On $5,500 in annual contributions, that's an extra $25,740 ($2,340 x 11) over two decades!

But to capture the power of a TFSA, you have to get in the driver's seat by opening an account and filling up with regular deposits. Turn the page for the top 10 features and benefits of TFSAs.

WHAT'S UP WITH INFLATION?*

When it introduced the TFSA, the federal government pledged to adjust the $5,000 annual contribution limit to inflation, rounded to the nearest $500. You can see in the table below that an unrounded indexed amount is calculated each year based on increases in the Consumer Price Index. For 2013, this inflation figure moved above the $5,250 rounding threshold for the first time – allowing the annual contribution amount to increase a whole $500 to $5,500.

YEAR	2009	2010	2011	2012	2013
Indexation increase (%)		0.6	1.4	2.8	2.0
Unrounded indexed amount ($)	5,000	5,030	5,100	5,243	5,348
TFSA dollar limit ($)	5,000	5,000	5,000	5,000	5,500

TOP 10 FEATURES OF A

Tax-Free Savings Account

1. You never pay tax on earnings – whether interest, dividends or realized capital gains.
2. Any contribution room you don't use up right away is automatically carried forward to future years.
3. You can provide funds to your spouse or common law partner to deposit in their TFSA within their limits (the attribution rules do not apply).
4. TFSA savings can be used for any purpose – emergency fund, saving for a short-term goal such as a vacation, car or house, or a long-term one like retirement.
5. You don't pay tax when you withdraw funds from the account.
6. If you do withdraw funds, you don't forfeit any contribution room. You can always redeposit them in a subsequent year and get back on the road to tax-free growth.
7. If you've topped up your RRSP, or have little RRSP room because of pension contributions or because you don't have earned income, you can direct savings to a TFSA to supplement retirement income.
8. TFSA earnings and withdrawals do not affect eligibility for federal income-tested benefits and credits. No Old Age Security (OAS) clawback is triggered by income or withdrawals – a big advantage for higher income earners.
9. If you don't need to spend all of your RRIF minimum withdrawal amount, you can put the excess in a TFSA to grow tax-free (assuming you have available TFSA room).
10. With proper estate planning, you can pass on your TFSA assets to a surviving spouse or common law partner, regardless of their available TFSA room.

What's more, with $31,000 of potential room in your tank, you have plenty to establish a diversified portfolio of equity and fixed-income funds – and get more mileage for your money.

Let us help you map out a plan for your TFSA savings, based on your personal needs and goals. We can help you invest your money for best results.

Go further, get there faster with a well-invested TFSA.

YOUR TEAM IN YALETOWN

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