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Tax Free Savings Plans (TFSAs)

A Tax Free Savings Account (TFSA) is a registered savings vehicle where contributions are made with after-tax dollars and withdrawals are tax free. This means that money can be earned in the account and withdrawn at anytime without being taxed. As of 2009, any Canadian resident over the age of 18 who has a valid social insurance number can open a TFSA.

TFSA accounts can only be registered in an individual's name (ie. no joint or spousal accounts) and there is no maximum age by which the TFSA must be collapsed.

There are no limits to the number of TFSA accounts an individual can hold, however the cumulative contributions of all TFSA accounts cannot exceed the stipulated annual contribution limits since 2009.

An individual's annual contribution room is reported on his or her *Notice of Assessment* issued by the CRA. An over contribution will result in a penalty tax calculated monthly and based on 1% of the highest excess amount each month the situation applies. The amount of eligible withdrawals made from an account in a given year is added back to the contribution room of the holder at the beginning of the *following* year.

How to calculate TFSA contribution room:

- the TFSA dollar limit for the year (\$10,000)
- unused contribution room from the previous year *plus*
(2009, 2010, 2011, 2012-\$5000 2013, 2014-\$5500 2015 & beyond \$10,000)
- eligible withdrawals from previous years

Subject to provincial legislation, the holder of the TFSA account can designate a beneficiary to receive the property in the plan following his or her death.

Withdrawals from a TFSA will not have any bearing on federal income-tested benefits and tax credits. (ie OAS, Canada Child Tax Benefit, Working Income Benefit for low-income taxpayers, EI benefits etc.).

For more information, please call our office to book a planning meeting. We can help you determine if a TFSA is right for you!

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