

Macquarie Private Wealth

A world of opportunities



MACQUARIE


A SMART WAY TO SAVE

MACQUARIE PRIVATE WEALTH TAX-FREE SAVINGS ACCOUNTS (TFSAs)

About Macquarie

Founded in Australia in 1969, the Macquarie Group has always been committed to continuous growth. Since 1992, this global provider of banking, financial, advisory, investment and funds management services has reported successive years of profits and growth.

Macquarie Private Wealth offers investors tailored financial solutions, award-winning research, recognized financial strength, and a global vantage point — a world of opportunities to build your personal wealth.

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A Tax-Free Savings Account is a flexible, registered account that allows Canadians to earn tax-free investment income.

The TFSA was introduced in the 2008 federal budget as an incentive for Canadians to save. It is the first account of its kind in Canada, and the government is calling it the single most important personal savings vehicle since the introduction of the Registered Retirement Savings Plan in 1957.

What is a TFSA?

A TFSA is an account in which contributions are made with after-tax dollars and withdrawals are tax-free. This means that investments can grow in the account and be withdrawn at any time without being taxed.

Who is eligible to contribute to a TFSA?

Canadian residents who are 18 years of age or older.

How does it work?

- You can save up to \$5,000 every year in a TFSA. The \$5,000 annual contribution limit will be indexed to the Consumer Price Index and rounded to the nearest \$500.
- TFSAs can hold the same investments as registered accounts, such as mutual funds, segregated funds, stocks, bonds, and GICs.
- Any amount withdrawn from the account is automatically added back to your contribution room for the following year.
- Unused contribution room can be carried forward indefinitely to future years.

What are the differences between TFSAs and RRSPs?

- An RRSP is primarily for your retirement savings, while a TSFA is for other investments and savings.
- Contributions to an RRSP are tax deductible and reduce your taxable income, while contributions to a TFSA are not deductible.
- Withdrawals from an RRSP are added to your income and taxed at your current rate, while TFSA withdrawals are tax-free.
- You must convert your RRSP to a RRIF by age 71 and withdrawals after that time are mandated according to a schedule based on your age. There is no similar requirement for TFSAs.
- For RRSPs, once a contribution is made, that contribution room is “used up.” With TFSAs, the amount of a withdrawal is automatically added back to the contribution room in the following year.

What are the other benefits of a TFSA?

- Income earned in a TFSA and withdrawals do not affect your eligibility for income-tested benefits, such as Old Age Security, Guaranteed Income Supplement and the Canada Child Tax Credit.
- You can provide the funds for your spouse to contribute to his or her account and the assets in your account are transferred to your spouse upon death without tax implications.
- Those who have maximized their RRSP contributions, or those with employer pension plans who may not be allowed to contribute to an RRSP because of a large pension adjustment amount, can supplement their savings on a tax-free basis.

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Tax-Free Savings Accounts (TFSA)

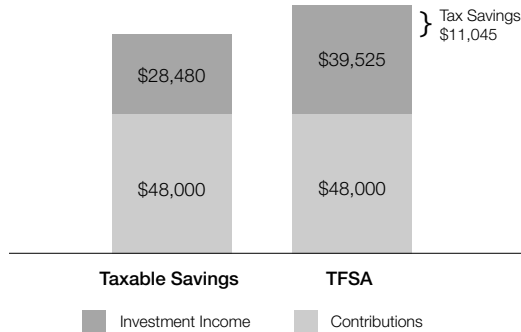
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A TFSA versus an unregistered account

Capital gains and other investment income earned in a TFSA are not taxed.

So, if you contributed \$200 a month for 20 years to a TFSA instead of a non-registered account, you would enjoy a total tax savings of \$11,045.



Assumes a \$200 monthly contribution for 20 years, a 5.5 percent rate of return and an average tax rate of 21 percent. Source: Government of Canada, 2008 Budget.

The TFSA can be a valuable savings tool, with enough flexibility to meet many different needs. Call your Macquarie Private Wealth Investment Advisor to find out how you can incorporate a TFSA into your financial plan, and discover the world of other opportunities we present to build your personal wealth.

Additional resources

TFSA FAQs:

cra-arc.gc.ca/gncy/bdgt/2008/txfr-eng.html

TFSA Calculator:

budget.gc.ca/2008/mm/calc_e.html

Contact your Macquarie Private Wealth Investment Advisor to discuss your options.

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