ADVISOR CHAT 08

Tax-Free Savings Plan (TFSA) ......

How I can help

Life
Living Benefits
Accident & Sickness
Travel
Group Benefits
Investments

Referrals

Do you have family or friends that you would like me to help protect? I would love to assist them!

Contact

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TFSAs are another way that you can save and receive different benefits than an RRSP. TFSAs do not give you an upfront tax benefit as contributions are made with after-tax dollars. Generally, any gains in value in your TFSA are tax free while being earned inside the account and when withdrawn.

You must be over 18, have a valid social insurance number and be a resident of Canada to open a TFSA.

You can contribute up to the annual limit of $6,000 for 2021, plus any withdrawals and unused contribution room carried forward from the previous year(s). There is no contribution deadline, which means you can contribute at any time. Any unused contribution room is carried forward on January 1 of each year. You will have to pay a one per cent tax penalty per month on contributions that exceed the limits.

Should you withdraw money from a TFSA you can repay that money back into your account in the future, however you are not obligated to or re-contribute said amount. If you do decide to re-contribute the withdrawal and you do not have any available TFSA contribution room at that time, you will have to wait until the next calendar year (January).

You can use the funds from your TFSA like how you would for education or a down payment on a new home. Other common reasons for withdrawing include emergency funds, vacations, a new car, even using to save for your RRSP contributions. A TFSA can be used for whatever you choose.

There's no simple answer as to which type of account is better, but consider a few factors when making the decision. Both RRSPs & TFSAs are good choices for long-term savings. If you know you'll need to withdraw money soon, a TFSA would be better suited to meet the short-term goal. If you have money available to maximize contributions in both types of registered accounts (RRSP or TFSA), it's generally better to do that. If you have to choose between one or the other, consider whether your total annual income is likely to increase or decrease over time. If you expect your income to increase, it might be a good strategy to contribute to a TFSA now, when you're paying less income tax. Contributing to an RRSP later, when you're earning more, might give you a bigger upfront tax benefit at that time.

Additional information can be found on the CRA website.

Darlene