

Tax Free Savings Account (TFSA)

Available at FirstOntario January 2009

The Best Things In Life Are Tax Free

In June 2008, the Government of Canada approved legislation to introduce a ground-breaking **Tax Free Savings Account (TFSA)** to be available starting January 2009. The purpose of the TFSA is to provide a savings vehicle that allows you to earn income tax-free inside the account.

Who may hold a TFSA?

A Canadian resident, age 18 or older, with a valid Social Insurance Number.

What is the TFSA contribution limit?

The annual TFSA contribution limit is \$5,000 per taxpayer. The contribution limit will be indexed to inflation and rounded up/down to the nearest \$500 on a yearly basis.

How is TFSA contribution room determined?

The Canada Revenue Agency (CRA) will determine the TFSA contribution room for each eligible individual who files an annual income tax return. It is anticipated the TFSA contribution room will be listed on your CRA Notice of Assessment.

What about unused TFSA contribution room?

Your unused contribution room starts to accumulate as soon as you open your TFSA, and you can carry forward any unused contribution room indefinitely. For example, if you contribute \$3,000 to your TFSA in 2009, your contribution room for 2010 would be \$7,000 (\$2,000 carried forward from 2009 plus \$5,000 for 2010).

Is there a penalty for excess TFSA contributions?

Yes, similar to an RRSP, excess contributions will be subject to a 1% per month penalty tax until withdrawn.



In partnership with Concentra Financial

Are TFSA withdrawals taxable?

No. A withdrawal of contributions and/or income is not taxable. You don't lose the contribution room if you make a withdrawal, but you do need to wait until the next year to re-contribute the money. Additionally, TFSA withdrawals do not impact eligibility for federal income-tested benefits and credits.

Do TFSA investments have to be qualified? Is there a penalty for prohibited investments?

You can choose to invest into a variety of investment options - from GICs and mutual funds* to savings accounts. The exception are investments where the Holder does not deal at arm's length.

Can a non-resident hold a TFSA?

If you are no longer a resident of Canada, you may continue to hold the TFSA. No contributions may be made to the TFSA and contribution room does not accumulate while you are a non-resident.

We can help you start saving regularly with pre-authorized contributions, even if you don't have the funds to contribute in January when the TFSA is officially launched.

Questions?

Call 1-800-616-8878, visit your branch or go to www.FirstOntarioCU.com

*Mutual Funds are offered through Credential Asset Management Inc.

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