



## Thinking of Opening a Tax-Free Savings Account (TFSA)?

### What is a TFSA?

A Tax-Free Savings Account (TFSA) is a kind of savings account registered with the federal government.

**The key benefit is that you do not have to pay taxes on earnings within the account (including interest, dividends or capital gains) or on money you withdraw from the TFSA.** However, contributions to the account are not tax-deductible.

Other important features are:

- You can carry forward your unused contribution room, increasing your allowable limit in future years.
- The money you withdraw can be used any way you like.

### Who can open a TFSA?

Canadian residents age 18 or older who have a valid Social Insurance Number (SIN) can open a TFSA and contribute savings, up to the limit of their contribution room.

**Note:** In some provinces and territories, the legal age at which a person can enter into a contract, including opening a TFSA, is 19. In these cases, the annual contribution limit for the year they are 18 is carried forward and added to their contribution room when they open a TFSA.

## What are the annual contribution limits?

As of 2013, the annual contribution limit for TFSAs is \$5,500.

If you have not contributed the maximum amount for previous years, you can add your unused contribution room to the \$5,500 to calculate the maximum amount you can contribute for this year.

### Keep in mind:

- You begin to accumulate contribution room in 2009 or the year you reached the age of 18 if that is more recent.
- The annual contribution limit was \$5,000 from 2009, when TFSAs were introduced, until 2012.

**Example:** Jen has made periodic contributions to her TFSA since they became available.

|  | 2009           | 2010           | 2011           | 2012           | 2013           |
|--|----------------|----------------|----------------|----------------|----------------|
| <b>Annual contribution limit</b>                             | \$5,000        | \$5,000        | \$5,000        | \$5,000        | \$5,500        |
| <b>PLUS unused contribution room from previous year</b>      | –              | –              | \$2,000        | \$6,000        | \$4,000        |
| <b>Maximum amount that Jen can contribute</b>                | \$5,000        | \$5,000        | \$7,000        | \$11,000       | \$9,500        |
| <b>Amount that Jen contributed</b>                           | <b>\$5,000</b> | <b>\$3,000</b> | <b>\$1,000</b> | <b>\$7,000</b> | <b>\$6,500</b> |
| <b>Unused contribution room carried forward to next year</b> | –              | \$2,000        | \$6,000        | \$4,000        | \$3,000        |

To check how much TFSA contribution room you have available, contact the Canada Revenue Agency at 1-800-959-8281.

## Caution: Contributing after you withdraw money

If you have already contributed the maximum amount for the calendar year, and you withdraw money from your TFSA, you cannot re-contribute to your TFSA in the same calendar year without paying an over-contribution penalty. However, your annual contribution limit **for the following calendar year** increases by the amount you withdrew.

For example, you contributed the maximum amount to your TFSA in April this year, and then withdrew \$1,000 in October of the same year. To avoid an over-contribution penalty, you must wait until at least January of next year to re-contribute the \$1,000. The maximum amount that you can contribute for next year will increase from \$5,500 to \$6,500, taking into account the \$1,000 you withdrew.

### Can I have more than one TFSA?

You can have more than one TFSA open, but you cannot contribute more than \$5,500 annually, plus any unused contribution room from previous years. For example, you could contribute to a TFSA with Bank A and to a TFSA with Bank B, but if your combined contributions exceed the maximum amount you can contribute for the year, you would have to pay a penalty.

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### What investments can I hold in a TFSA?

Your TFSA can contain the following types of investments:

- cash
  - guaranteed investment certificates (GICs)
  - government and corporate bonds
  - mutual funds
  - publicly traded securities or stocks.
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### Where can I open a TFSA?

You can open a TFSA at most financial institutions, such as banks, credit unions, caisses populaires, trust and loan companies, and life insurance companies.

If you are considering opening a TFSA with a federally regulated financial institution, you have the right to be informed of key details before the plan is set up. For more information, see the Investments page under the “Your Rights and Responsibilities” section of FCAC’s website at [itpaystoknow.gc.ca](http://itpaystoknow.gc.ca).

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### How can I transfer a TFSA to another financial institution?

If you want to transfer a TFSA from one financial institution to another, the transfer has to be done directly between the two financial institutions for you to avoid potential over-contribution penalties.

For example, if you have made a \$5,500 contribution to a TFSA with Bank A this year and want to transfer it to Bank B because they are offering a higher interest rate, Bank A would have to transfer the money directly to a TFSA with Bank B. If you were to simply withdraw your \$5,500 from Bank A and use that money to open a second TFSA with Bank B, this would be considered a separate contribution from the original \$5,500 contribution to Bank A. And because you had already reached your contribution limit for the year, you would be charged an over-contribution penalty.

For more information and examples, see the Qualifying Transfers section on the Canada Revenue Agency’s website.

If you want to transfer a TFSA between financial institutions, speak with your financial institution for more information.

## Other things to keep in mind

Different financial institutions charge different fees so shop around before opening a TFSA. Possible fees include account opening fees, transaction fees and monthly maintenance fees. There may also be fees associated with certain types of investment products you can hold within the TFSA.

Make sure you read the entire contract before signing. If you don't understand something, ask for an explanation. For more information on contracts, see FCAC's publication: **Before You Sign Any Contract: 10 Things You Need to Know.**

## Questions to ask before opening a TFSA

- What are the fees for opening and maintaining the account?
- Are there any other fees?
- Who do I contact if I have a problem or question?

## For more information

For more information on the Tax-Free Savings Account, contact a financial institution that offers the account. You can also visit the TFSA website at [www.tfsa.gc.ca](http://www.tfsa.gc.ca) or call the Canada Revenue Agency (CRA) at 1-800-959-8281.


## About Financial Consumer Agency of Canada (FCAC)

With educational materials and interactive tools, the Financial Consumer Agency of Canada (FCAC) provides objective information about financial products and services to help Canadians increase their financial knowledge and confidence in managing their personal finances. FCAC informs consumers about their rights and responsibilities when dealing with banks and federally regulated trust, loan and insurance companies. FCAC also makes sure that federally regulated financial institutions, payment card network operators and external complaints bodies comply with legislation and industry commitments intended to protect consumers.

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