

Advantages of Tax-Free Savings Accounts

Presented by:



Melissa Arenas, 
Senior Financial Advisor
ATB Securities Inc.
780-686-3173
marenas@atb.com

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What is a TFSA?

It's much more than just a savings account:

The **Tax-Free** Savings Account (TFSA) is a vehicle for tax free savings and growth that has been available to Canadians since 2009.

How much can you contribute?



The annual TFSA dollar limit

+



Any unused TFSA contribution room from the previous year

+



Total amount of withdrawals from TFSAs in the previous year

(excluding qualifying transfers and withdrawals of TFSA "excess")

For 2021, the cumulative total for an individual who has never contributed to a TFSA, and has been eligible since 2009, is \$75,500.

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
\$5,000	\$5,000	\$5,000	\$5,000	\$5,500	\$5,500	\$10,000	\$5,500	\$5,500	\$5,500	\$6,000	\$6,000	\$6,000

Cumulative total since 2009

= \$75,500

TFSA investment options

Flexibility is one of the main advantages of a TFSA. A TFSA portfolio can hold multiple investment types:



Cash



Guaranteed Investment
Certificates (GICs)



Certain shares of small
business corporations



Securities listed on a
designated stock exchange
in Canada or a
foreign country:

- Mutual Funds
- Exchange Traded Funds (ETFs)
- Stocks
- Bonds

When should you contribute?

The right plan at the right time

	Early career	Mid career	Late career	In retirement
TFSA	✓	✓		✓
RRSP		✓	✓	

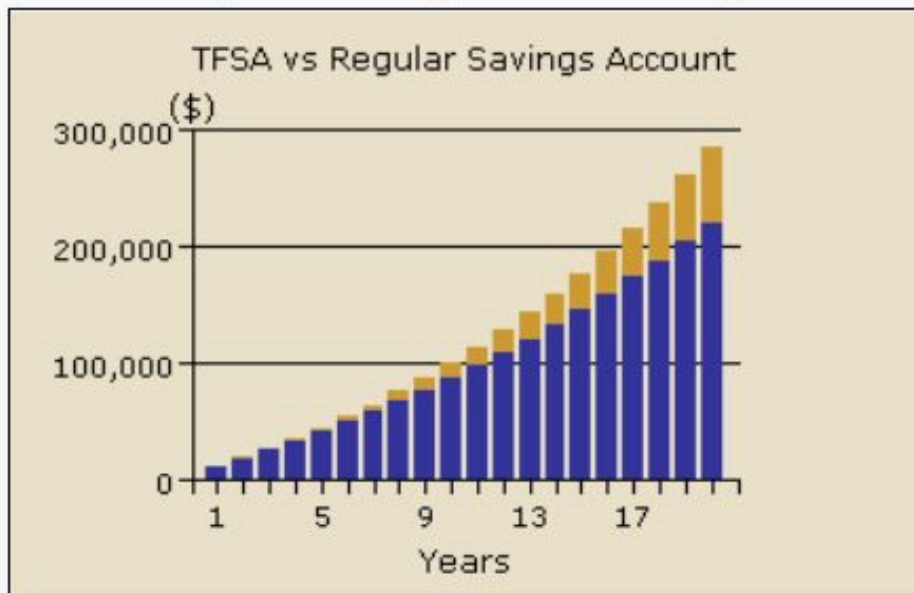
Advantages of a TFSA

1. Tax-Free Growth & Withdrawals
2. No Mandatory Withdrawal Date or Restrictions On Use
3. Withdrawals Do Not Affect Government Income Tested Benefits
4. Ability To Maximize Household Contributions
5. Annual Contribution Room Is Not Determined By Earned Income
6. Efficient Tax Planning Tool



Tax-free growth & withdrawals

TFSA vs. Regular Savings Account Graph



Values after 20 yrs

TFSA \$286,409
Savings \$220,619

+ \$65,790 in TFSA

- Initial \$6000 contribution
- Annual \$6000 contributions
- 20 year investment horizon
- 7% average annual rate of return
- Income bracket over \$48,535 up to \$97,069

No mandatory withdrawals or restriction on use

No maximum age limit to contribute & no mandatory withdrawal age

TFSA Funds can be used as collateral for a loan

Supplemental tax-free retirement income

Post Secondary Education

Renovation
Vacation
Health expenses

Income bridge before CPP/OAS

ATB

Wealth

Withdrawals do not affect income-tested government benefits

Old Age Security (OAS) benefits, Guaranteed Income Supplement (GIS) or Employment Insurance (EI).



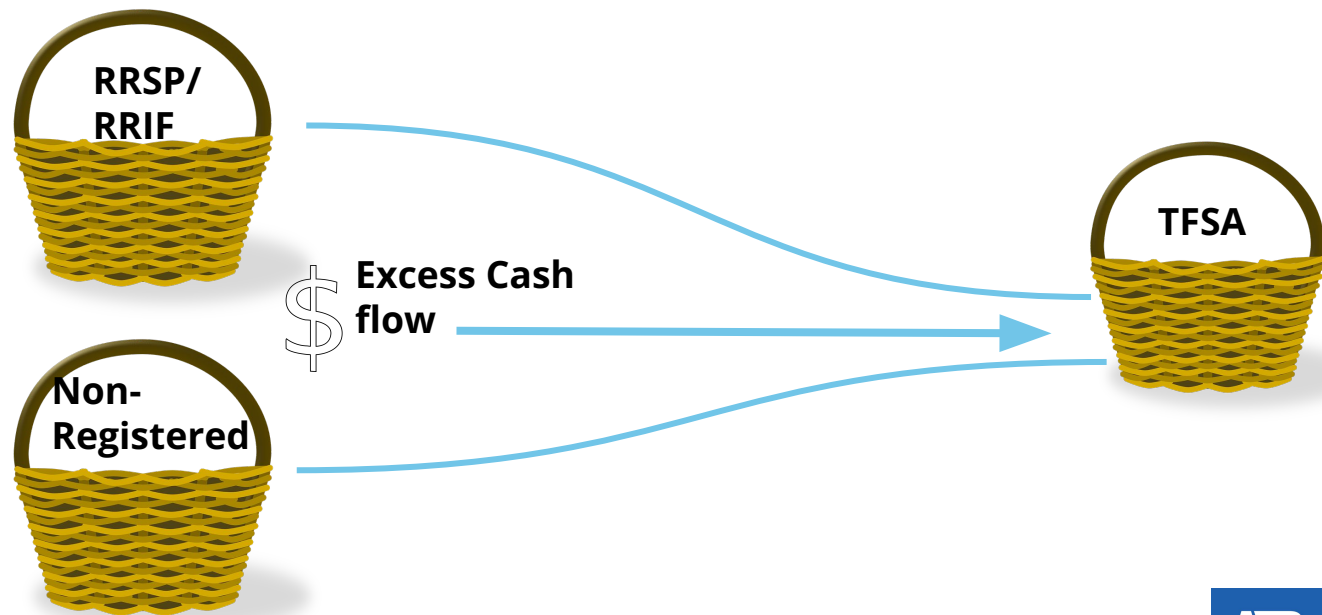
Maximum benefit
= \$615.37
40 years of residency
after age 18

OAS pension is reduced once your income exceeds **\$79,845 (2021)**.

The reduction is calculated at a rate of 15 cents for every dollar in excess of the threshold. OAS benefits are fully clawed back once your income exceeds \$129,075 (2021).

Annual contribution room

Contribution room is not based on earned income



2021 combined federal and provincial tax brackets and marginal tax rates

Taxable income		Interest, other income & foreign dividends	Capital gains	Canadian eligible dividends	Canadian non-eligible dividends
Over	Up to				
	*\$13,808	0.00%	0.00%	0.00%	0.00%
*\$13,808	\$19,369	15.00%	7.50%	-0.03%	6.87%
\$19,369	\$49,020	25.00%	12.50%	2.57%	15.86%
\$49,020	\$98,040	30.50%	15.25%	10.16%	22.18%
\$98,040	\$131,220	36.00%	18.00%	17.75%	28.51%
\$131,220	\$151,978	38.00%	19.00%	20.51%	30.81%
\$151,978	\$157,464	41.32%	20.66%	25.09%	34.63%
\$157,464	\$209,952	42.32%	21.16%	26.47%	35.78%
\$209,952	\$216,511	43.32%	21.66%	27.85%	36.93%
\$216,511	\$314,928	47.00%	23.50%	32.93%	41.16%
\$314,928		48.00%	24.00%	34.31%	42.31%

*This figure represents the basic personal amount (BPA) for those with income below \$151,978. The BPA is gradually reduced as income increases above \$151,978 and for those with income above \$216,511 the BPA will reduce to \$12,421.

Maximize Family Contributions

- TFSA contributions are made with after-tax dollars. The Canadian Revenue Agency (CRA) allows contributions to a spouse's or common-law partner's TFSA. You are permitted to contribute to your spouse/common-law partner's TFSA (and vice versa) to maximize your contributions.

Tax Planning Tool



TFSA & Estate planning

Spousal successor

Non- spousal beneficiary

Registered Charity

Good to know, TFSA considerations for non-residents

- If you are no longer a resident of Canada, you are still allowed to continue earning and withdrawing from the TFSA on a tax-free basis under Canadian legislation. This does not guarantee that the tax laws of your current country of residency will not apply to these earnings or withdrawals.
- While you are a non-resident, you will not accrue additional TFSA contribution room. However, any withdrawals that are made while you are deemed a non-resident will be added back to your contribution room but will only be available if your Canadian residency is re-established.
- If a non-resident makes a contribution to their existing TFSA, the contribution will be taxed at 1% a month until it is withdrawn regardless of their available contribution room with an exception for qualifying transfers and exempt contributions.



Thanks
for listening.

