

## The Tax-Free Savings Account (TFSA)

Introduced in the 2008 federal budget, the Tax-Free Savings Account (TFSA) will be available beginning January 1, 2009. As the launch date approaches and financial services firms begin to release details on how the accounts will be offered, many plan sponsors are asking if a TFSA offering should be considered for their employee benefit program. An appropriate starting point would be to consider major similarities and differences of the TFSA to an already available option—the Group RRSP.

### What is a TFSA?

A new savings vehicle that will launch January 1, 2009. Canadian residents who have reached the age of 18 with a SIN will be able to contribute up to \$5,000 per year. This limit will be indexed to inflation and rounded to the nearest \$500.

### Comparing the TFSA to the RRSP

The TFSA is in many ways a mirror image of a Registered Retirement Savings Plan (RRSP). The following is a summary of some of the key characteristics of each.

	TFSA	RRSP
Earned Income Requirement	Can contribute from age 18 Money deposited can come from any source	Contribute based on earned income in last year or carry forward unused contribution room
Taxes: Contributions	Not tax deductible	Tax deductible
Taxes: Withdrawals	Tax Free	Added to income and taxed at current marginal rate
Taxes: Investment Earnings	Not subject to taxation	Sheltered from tax during accumulation period
Types of Investments	GICs, Investment Funds, Stocks, Bonds	GICs, Investment Funds, Stocks, Bonds
Contribution Room and Withdrawals	If money is withdrawn you get the contribution room back the following year	Withdrawals have no affect on contribution room available
Unused Contribution Room	Can be carried forward from year to year	Can be carried forward from year to year
Income Splitting	Can contribute to spouse's account	Can contribute to spouse's account
Multiple Accounts	Yes, subject to total contribution limit	Yes, subject to total contribution limit
Income Tested Benefits	Withdrawals will not affect these benefits	Withdrawals qualify as income and can result in reduction of these benefits

The TFSA offers many unique features and options to plan members. If you would like to review how a TFSA could fit into your current employee savings plans, or for any other pension related questions, please contact Proteus.

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