

# Tax-Free Savings Account Fast Facts

AGF SOUND CHOICES

The Tax Free Savings Account (TFSA) allows you to invest post-tax money into an account where subsequent earnings growth (interest, capital gains or dividend income) is not subject to further taxation.

By using your TFSA to invest in AGF's broad line-up of mutual funds, you have the potential to earn more tax-free investment income over the long term than if you invested in a high-interest savings account or GIC, magnifying the advantages of the plan.

## TFSA vs. RRSP vs. Cash accounts – how they measure up

Product Features	TFSA	RRSP	Cash Accounts
<b>Annual contribution limit</b>	\$6,000 per year (plus unused contribution room)	The lesser of \$27,230 (for 2020) or 18% of earned income from your previous tax year, minus any pension adjustments, plus unused contribution room from previous years (increased annually)	No limits
<b>Tax deductible contribution</b>	No	Yes	No
<b>Contribution carry-forward</b>	Yes	Yes	n/a
<b>Taxable consequences</b>	No tax on growth and no tax on withdrawals	Withholding tax applies if withdrawn prior to RRIF; the amount withdrawn is added to taxable income	Fully taxable earnings growth
<b>Capital loss on investment</b>	Cannot claim	Cannot claim	Can offset capital gains (three preceding tax years, carried forward indefinitely)
<b>Maximum age for contribution</b>	No	Yes (71 years old)	No
<b>Re-contribution of withdrawals</b>	Yes (in subsequent calendar year)	No (except for Home Buyer's Plan and Life Long Learning Plan)	Yes
<b>Overcontribution penalty</b>	Yes, 1% per month on over-contribution amounts (even if contribution was withdrawn subsequently in same tax year)	Yes, 1% per month if you exceed the \$2,000 lifetime over-contribution amount	n/a

## What you need to know

### Eligibility

- Anyone 18 years of age and over who is a resident of Canada can open a TFSA
- A valid Social Insurance Number is required to open an account
- You do not need to have earned income or be filing an income tax and/or benefit return

### Contributions

- \$6,000 for 2020
- Unused contribution room can be carried forward to future years
- Any amount withdrawn from a TFSA can be re-contributed in future years without reducing contribution room
- Spouses (and common-law partners) can give each other monies to contribute to their own TFSA without triggering attribution rules. TFSA assets can be transferred to a spouse tax-free upon death

### Withdrawals

- May be taken at any time without tax penalty
- No limit on the amount of each withdrawal
- Funds may be withdrawn for any purpose

### Tax Features

- Earnings growth in plan is tax-sheltered
- Withdrawals from the account remain tax-free
- No impact on taxes and income-tested credits and benefits such as:
  - Guaranteed Income Supplement (GIS)
  - Canada Child Benefit
  - Working Income Tax Benefit
  - Goods and Services Tax credit (GST)
  - Age credit
  - Old Age Security benefits (OAS) or Employment Insurance benefits (EI)

**For more information, contact your financial advisor or visit [AGF.com](https://www.agf.com)**

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