

# Tax-Free Savings Account Fast Facts

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## Saving Has Never Been More Rewarding

There's so much to save for – and the Tax-Free Savings Account (TFSA) offers key incentives to do so. A TFSA enables you to invest after-tax money into an account where any subsequent earnings growth (interest, capital gains or dividend income) is not subject to further taxation. Neither are withdrawals.

## TFSA vs. Registered Retirement Savings Plans (RRSPs) vs. Cash Accounts – How They Measure Up

Depending on what you're saving for – a milestone, such as a new home or simply for a rainy day – the key features below can help determine how a TFSA can fit into your overall financial plan.

| Product Features                      | TFSA  | RRSP   | Cash Accounts  |
|---------------------------------------|---|--|--|
| <b>Annual contribution limit</b>      | \$6,000 per year (plus unused contribution room)  | The lesser of \$27,830 for 2021/\$29,210 for 2022 and 18% of earned income from your previous tax year, minus any pension adjustments, plus unused contribution room from previous years | 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           | No tax on growth and no tax on withdrawals  | Withholding tax when withdrawn; the amount withdrawn is added to taxable income  | Fully taxable earnings growth  |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 (December 31 of the year you turn 71)  | No   |
| <b>Re-contribution of withdrawals</b> | Yes (in subsequent calendar year)   | No (except for Home Buyer's Plan and Lifelong 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       | Yes, 1% per month on over-contribution amounts (even if contribution was withdrawn subsequently in same tax year) | Yes, 1% per month if you exceed the \$2,000 lifetime over-contribution amount  | n/a  |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 filed an income tax and/or benefit return

Source: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/who-open-a-tfsa.html>

### Contributions

| Year | TFSA Annual Limit | TFSA Cumulative Limit |
|------|-------------------|-----------------------|
| 2009 | \$ 5,000          | \$ 5,000              |
| 2010 | \$ 5,000          | \$10,000              |
| 2011 | \$ 5,000          | \$15,000              |
| 2012 | \$ 5,000          | \$20,000              |
| 2013 | \$ 5,500          | \$25,500              |
| 2014 | \$ 5,500          | \$31,000              |
| 2015 | \$10,000          | \$41,000              |
| 2016 | \$ 5,500          | \$46,500              |
| 2017 | \$ 5,500          | \$52,000              |
| 2018 | \$ 5,500          | \$57,500              |
| 2019 | \$ 6,000          | \$63,500              |
| 2020 | \$ 6,000          | \$69,500              |
| 2021 | \$ 6,000          | \$75,500              |
| 2022 | \$ 6,000          | \$81,500              |

NOTE: This applies to investors aged 18 and older in 2009. An investor born in 1992 (and therefore turned 18 in 2010) would have a cumulative limit of \$76,500 in 2022.

- 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 an amount 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/TFSA](https://www.agf.com/TFSA)

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