Credit Union
Central of Canada

Tax-Free Savings Accounts

Quick Reference Guide

The 2008 Federal Budget introduced the concept of a new form of savings account – the Tax-Free Savings Account (TFSA). This new registered product is available in 2009. Here are some key general facts.

WHO CAN PURCHASE A TFSA?

An individual (no trusts or corporations) who:

- is a Canadian resident
- is 18 years of age or older (no maximum age restriction), and
- has a valid SIN

An individual may hold more than one TFSA.

TYPES OF PLANS

Same as RRSPs

- Deposit plans
- Mutual fund plans
- Self-Directed plans

QUALIFIED INVESTMENTS

Same as RRSPs:

- Variable interest savings accounts
- Term deposits and GICs
- Credit Union Shares
- Index-linked term deposits
- Mutual funds
- Publicly traded securities and bonds

CONTRIBUTIONS & WITHDRAWALS

1. $5,000 is the maximum contribution limit for 2009. Commencing in 2010, maximum contribution limit will be indexed to inflation to nearest $500.

2. Contributions are not tax deductible.

3. Contributions may only be made by the Holder; no spousal contributions.

4. Withdrawals (contributions and earnings) are not taxable.

5. Withdrawals will not affect federal income-tested benefits and credits (e.g., OAS, GIS, EI, GST, age credit, Child Tax Benefit, Working Income Tax Benefit, and age benefit).

6. Over contributions are subject to a 1% penalty tax per month until withdrawn.

CONTRIBUTION ROOM

1. Eligible taxpayer will accumulate $5,000 TFSA contribution room each year.

2. Withdrawals will increase unused contribution room after the year of withdrawal.

3. Each year, Canada Revenue Agency will determine the available TFSA contribution room. Unused contribution room will be reported on the annual Notice of Assessment, as it does for RRSPs.

4. Unused contribution room can be used in future years. There is no limit to how much contribution room can be carried forward.

TFSA LOANS

- Interest on money borrowed for a TFSA contribution is not tax deductible.

SUCCESSOR HOLDER & BENEFICIARY

TFSA Holder may appoint:

- spouse/common-law partner as successor holder. On death of the Holder, spouse/common-law partner will become the Holder of the TFSA.

- someone other than the spouse/common-law partner as the beneficiary. On death of the Holder, proceeds of the TFSA will be paid to the beneficiary.

If no beneficiary is designated, proceeds are paid to the Estate of the Holder; however, income earned after date of death is taxable to the Estate.

INFORMATION ABOUT YOUR CREDIT UNION'S TFSA

For current information, see Tax-Free Savings Accounts page at: www.cra-arc.gc.ca/agency/budget/2008/taxFree-e.html