

Tax-Free Savings Account



Whether your savings goals are short-term or long-term, a Tax-Free Savings Account (TFSA) can help you fast-track your savings.

What is a TFSA?

A TFSA is a savings option that allows you to grow your savings without ever paying tax on the growth within your account.

This is unique from traditional savings accounts where you are required to pay tax on the growth earned by your investment. Even in a Retirement Savings Plan (RSP) the growth is taxed when the money is withdrawn from the RSP. With a TFSA, no matter how much your investments earn, you will never pay tax on the growth.

How much can I contribute to a TFSA?

Each year residents of Canada who are at least 18 years of age are allowed to invest up to \$6,500* into their TFSA, in addition to any previously unused contribution room. Deposits made into a TFSA are made with after-tax dollars meaning that withdrawals can be made at any time on a tax-free basis. Once a withdrawal is made, the contribution room is regained in the year following the withdrawal.

Tax-free means more savings

When you invest in a TFSA, all of the earnings are tax-free. This allows you to save more and reach your goals faster.

For example, if you were to make a \$200 TFSA contribution each month for 20 years you would have contributed a total of \$48,000, and also earned \$43,116 in tax-free growth. In comparison to a non-registered account where all investment income is taxable, you would save an additional \$10,926 by investing in a TFSA.**

	Tax-Free Savings Account	Non-Registered Savings Plan
Annual contribution	\$2,400	\$2,400
Rate of return	6%	6%
Term	20 years	20 years
Growth	\$43,116	\$32,190**
Market value after 20 years	\$91,116	\$80,190
Tax savings	\$10,926	\$0.00

* The annual TFSA limit is set by Canada Revenue Agency (CRA), and is currently \$6,500. Your notice of assessment will tell you if you have unused contribution room from previous years. Contributions over the maximum will be charged a monthly penalty of 1% by CRA.

** Calculations assume that the annual tax payable on the non-registered savings plan is paid from the account value of the policy. Combined federal and provincial tax savings based on a \$200 monthly contribution for 20 years and a 6% rate of return. For non-registered savings, a 20% average tax rate on investment income is assumed based on 40% interest, 30% dividends and 30% capital gains, using a middle-income earning account holder.

Who should have a TFSA?

With so much flexibility, the TFSA is a savings option from which most Canadians can benefit. At any time you can access your savings without ever paying tax on the growth, making it perfect for any kind of short-term savings goals, including:



Home renovations



A family trip



A vehicle



Emergency savings



A TFSA is also a great option for retirement savings for individuals who are looking for an alternate source of income during retirement, or who expect to be in an equal or higher tax bracket once they retire. Unlike an RSP, a TFSA does not need to be converted to an income product at age 71, which makes it an ideal option for retirees who are looking for a way to save on a tax-free basis throughout their retirement. Additionally, income from a TFSA does not affect your eligibility to receive Old Age Security (OAS), Guaranteed Income Supplement (GIS), goods and services tax (GST) credit, or other income tested benefits and tax credits

Key features of an Equitable® TFSA

- Investment options that include a full range of funds and guaranteed interest options
- Potential for creditor protection and avoiding probate by designating a beneficiary
- Tax-free growth and withdrawals
- Unused contribution room carried forward
- Contribution room is regained the year following a withdrawal
- Withdrawals do not impact income-tested government benefits such as OAS, GIS, GST credit, etc.

Speak to your advisor to find out how an Equitable TFSA can help you reach your financial goals.

At Equitable we believe in the power of working together. This guides how we work with each other. How we help our clients and partners. And how we support the communities where we live and work.

Together, with partners across Canada, we offer Individual Insurance, Group Insurance and Individual Wealth solutions. To help our clients protect today and prepare tomorrow.

We believe the world is better when we work together to build an Equitable life for all.

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