



# Meeting investors' needs for tax-free growth and withdrawals

## What is the Tax-Free Savings Account?

The Tax-Free Savings Account (TFSA) is a registered savings plan that allows you to increase your retirement investing, perhaps save for a home purchase, or provide for children's education, while protecting your capital growth from tax. It was first introduced in the 2008 Federal Budget and made available starting in January 2009.

## How the TFSA works

Available to Canadians over the age of 18, the accounts are considered a tax pre-paid savings plan as contributions are made from after-tax income. Investments that qualify for TFSAs are generally the same as Registered Retirement Savings Plans (RRSPs) and can include alternatives such as stocks, bonds, and mutual funds. Capital gains and any other income earned within a TFSA are non-taxable, and there are no limits to the frequency of withdrawals from an account.

Contributions are made in Canadian dollars from after-tax income with the ability to carry unused contributions forward indefinitely. Contributions in excess of TFSA limits are subject to a penalty tax of 1% per month.

Withdrawals are permitted at any time and are not included in income. As such, withdrawals will have no impact on government benefits and credits. Amounts withdrawn can be put back into the TFSA at a later date without reducing contribution room.

## Key benefits



### Tax efficiency

- Any capital gains and other investment income earned are not subject to tax when withdrawn
- As such, TFSAs are ideal for unexpected or immediate needs



### Savings flexibility

- Can be used for a variety of financial goals, including saving for education, home purchases, or starting a new business
- A great alternative when RRSP contributions have been maximized



### Investment choice

- You can hold a variety of securities inside a TFSA including mutual funds, publicly traded stocks, ETFs, structured notes, guaranteed investment certificates (GICs), savings accounts, bonds, and certain shares of small business corporations

## TFSA vs. RRSP

The assets of both TFSAs and RRSPs grow on a tax-free basis. TFSAs are one more tool you can use in meeting your long-term savings goals. The following table is a comparison of the features of a TFSA and RRSP.

Features	TFSA	RRSP
<b>Contributions</b>	Not tax-deductible	Tax-deductible
<b>Withdrawals</b>	Not included in income and therefore, are tax-free	Included in income and fully taxable in the year received
<b>Annual Contribution Limits</b>	2019-2021: \$6,000 2016-2018: \$5,500 2015: \$10,000 2013-2014: \$5,500 2009-2012: \$5,000	Contribution limits are based on your previous year's earned income up to a maximum amount, less any applicable pension adjustment
<b>Minimum Age Requirement</b>	18 years of age*	No minimum
<b>Maximum Age Restriction</b>	No maximum	Must be closed by December 31 of the year an individual turns 71

While maximizing both RRSPs and TFSAs is advisable where possible, tax and estate planning expert, **Jamie Golombek**, Managing Director, Tax & Estate Planning, CIBC Financial Planning and Advice, offers the following advice:

- If your retirement income is projected to be **lower** than your current income, an **RRSP** may be a better choice as the tax rate upon withdrawal may be lower than at the time of contribution.
- If your retirement income is projected to be **higher** than your current income, a **TFSA** may be a better choice as the tax rate may be higher upon withdrawal than at the time of contribution.

## Your CIBC TFSA investment options

CIBC offers the following TFSA qualifying investment solutions, giving you the flexibility to design a well-diversified portfolio.

If you want	Consider
To save while earning competitive interest on your money, tax-free	CIBC Tax Advantage Savings Account
Security plus guaranteed principal and interest	CIBC Bonus Rate TFSA GIC
Security of a GIC with the growth potential based on the performance of equity markets	CIBC Market Linked GICs
A higher potential for growth	CIBC Mutual Funds
Freedom from making day-to-day investment decisions	CIBC Smart Investment Solutions CIBC Personal Portfolio Services® CIBC Passive Portfolios
To make your own investment decisions on a direct investing platform	CIBC Investor's Edge® TFSA account

Our advisors have the experience, expertise, and tools to help you choose the right investment solutions for your goals.

**Contact us today to learn how a TFSA can help make your ambitions a reality.**

\* In certain provinces and territories, the legal age (depends on the age of majority) at which an individual can enter into a contract (which includes opening a TFSA) is 19. In 2009 or later, in these jurisdictions, a person 18 years of age who would otherwise be eligible accumulates TFSA contribution room for that year and carries it over to the following year. Source: <https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/who-open-a-tfsa.html>

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