



**Wealth  
Management**



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## Tax-Free Savings Accounts (TFSA) quick tips 2018

### 2018 TFSA contributions

As of January 1, 2018, you can contribute an additional \$5,500 to your TFSA to benefit from tax-free growth. With the contribution room from 2009 through 2018, you will be able to contribute up to \$57,500 to grow tax-free.

### Tax-free benefits

With a TFSA, you can contribute up to your contribution limit each year (\$5,000 for years 2009-2012, \$5,500 for 2013-2014, \$10,000 for 2015 and \$5,500 for 2016-2018), earn tax-free interest, dividends, and capital gains, and even make withdrawals – at any time, for any reason – without paying tax. Although these limits may seem low at first, with tax-free compound growth, it can add up over time.

### Opening a TFSA

Any Canadian resident who has reached the age of majority in their province can open a TFSA. The age of majority is 19 in Newfoundland and Labrador, New Brunswick, Nova Scotia, British Columbia, Northwest Territories, Yukon and Nunavut. In all other provinces, it is 18. Bear in mind that you need to have a valid social insurance number to open a TFSA.

To open your TFSA, please ask us for assistance.

### Making contributions

Contribution room accumulates every year starting at age 18, and can be carried forward indefinitely. You can continue contributing to your TFSA even when you're retired and irrespective of your income – it's a lifelong plan.

### Making withdrawals

You can make tax-free withdrawals for any reason, unlike a Registered Retirement Savings Plan (RRSP). Plus, the amount you withdraw is added back to your available contribution room the following calendar year. Remember that you have to wait to re-contribute any amounts you have withdrawn in any given year until January 1 of the following year. Otherwise, the Canada Revenue Agency may assess excess contribution penalties. In addition, any income or capital gains earned on overcontributions could be subject to 100% tax. There is no requirement to make withdrawals at a certain age. As a result, you can let your investment earnings continue growing tax-free (see chart on the next page).

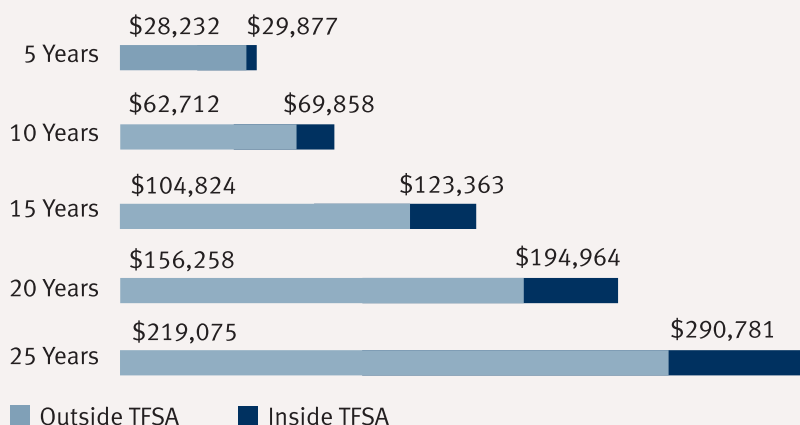
## Flexibility

You can use your TFSA to meet a wide range of investment goals. By using your TFSA, you can benefit from tax-free growth, which can help you achieve your long-term objectives. In retirement, your TFSA can be a great way to generate tax-free income to complement your RRSP or Registered Retirement Income Fund (RRIF). Your TFSA can also be used for shorter-term savings goals, such as major purchases, or even as an emergency fund.

## Options for using your TFSA

- Help a child or grandchild fund their education above and beyond their Registered Education Savings Plan (RESP) and/or family trust
- Shelter some of your taxable capital gains, dividends and interest currently being earned in a regular taxable account
- Expand your retirement savings beyond your RRSP
- Earn tax-free income on surplus RRIF payments you don't need immediately
- Take advantage of family income splitting to reduce your overall tax bill by gifting amounts from your bank account (the income from which is exposed to your higher tax rate) to your lower-income spouse or adult children to contribute to their own TFSAs
- In provinces and territories where it is permitted, consider naming a beneficiary on your TFSA to avoid probate

## Tax-free compound growth



This chart shows how \$5,000 contributed annually and earning 6% interest per year would grow inside of a TFSA compared to a taxable investment account. Assumes tax rate of 32% outside TFSA, with interest income taxed annually. All contributions made at beginning of year. Annual compound rate of return of 6%. For illustration only and not indicative of future returns. Excludes fees and commissions. Actual tax rates and rates of return will vary.

- Consider naming your spouse as successor holder (instead of beneficiary) on your TFSA to simplify administration upon your death

**Whether you need to open your TFSA, make your 2018 contribution or switch to a new TFSA strategy, please contact us for assistance.**

## Transferring your TFSA

Consolidating your assets can help simplify your financial affairs and ensure your advisor is aware of your full financial picture. If you hold TFSA assets at another financial institution, you can transfer them to our firm through a “qualifying transfer”, rather than by withdrawing and re-contributing. A qualifying transfer can help avoid delays and adverse tax consequences, and we can help make it quick and easy,