Choosing the Right Tax-Free Savings Account

Opening a Tax-Free Savings Account (TFSA) is a smart way to reduce your investment taxes.There are two main types of TFSAs – full-service and savings account style. Either may be appropriate depending on your needs. The following table compares these two main TFSA options, using the RBC Dominion Securities investment TFSA as an example of a full-service TFSA.

	Full-service investment TFSA	Typical savings-style TFSA
Growth potential	Greater investment options means greater potential returns based on the investments you hold, markets and your investment strategy.	Growth is based on the balance of your account and savings account interest rates. If mutual funds are included in the TFSA, growth is based on investment choices.
Access to quality investment products	Choose from industry-leading RBC or third-party investment products.	Product options generally limited to the financial institution's mutual funds (no third-party funds).
Investment options	A wide range of investment options, which allow you to take a proactive approach to building tax-free returns: ▪ Cash ▪ Over 30 different GIC issuers ▪ Government and corporate bonds ▪ Access to large range of RBC and independent mutual funds ▪ Publicly traded equities	Limited savings / investment options, such as: ▪ Cash ▪ GICs ▪ Single-manager mutual funds
Number of trades	Eight annual trades are included in your TFSA account fee, enabling you to follow a disciplined investment strategy.	Unlimited mutual fund trades, however there may be short-term trading fees.
Investment advice	Professional, tailored investment advice in accordance with your overall investment objectives.	Varies from no advice to personal advice based on investor profiles.
Costs	▪ No commissions ▪ 1% annual management fee	Typically no fee, but there may be an annual flat fee.

RBC Wealth Management
Dominion Securities

While the anual contribution amount may seem low, if a family of four contributes to their TFSAs for the years 2009-2015, they could set aside $146,000 as a family to grow tax-free.

Integrating Your TFSA into Your Overall Wealth Plan

Tax Planning

- Gift monies to low-income family members to contribute to their own TFSAs – without attribution of investment income back to you for tax purposes.
- Create a tax-free income stream with capital gains, dividends or interest income from your TFSA.

Estate Planning

- Create a living legacy today by gifting funds for a loved one's TFSA.
- Transfer tax-sheltered TFSA growth to your spouse upon death.

Retirement Planning

- Boost tax-sheltered retirement savings when you have reached the maximum RRSP limits.
- Reinvest unused RRIF payments to fund your TFSA.

Financial Planning

- Save more efficiently and quickly to achieve short- or long-term financial goals with compounded tax-free growth.
- Create a contingency fund to supplement income or business cash flow needs.

Education Savings

- Provide a tax-free source of funds for children or grandchildren to use for tuition, books, or other post-secondary education costs.

Ask us for more information about integrating your TFSA into your overall wealth plan.

TFSAs at a Glance

- The Tax-Free Savings Account (TFSA) allows you to contribute funds and earn tax-free investment income.
- Any Canadian resident 18 years or older with a Social Insurance Number is eligible to open a TFSA (19 for residents of Newfoundland and Labrador, New Brunswick, Nova Scotia, Nunavut, Yukon, the Northwest Territories and British Columbia).
- Contribution room begins accumulating at age 18.
- $5,000 annual contribution limit for 2009-2012; $5,500 for 2013-2015.
- Carry forward any unused contribution room indefinitely.
- Earn tax-free investment income.
- Benefit from tax-free compounded growth.
- Withdraw funds tax-free.
- Withdrawals are added back to your unused contribution room the following year (be careful not to re-contribute too soon or you may be penalized).
- A wide range of investment options is available.
- Over-contributions will be subject to penalty tax.