



Wealth  
Management



**Fraser Kochan, CPA, CA, CIM**  
Vice President, Portfolio Manager  
fraser.kochan@rbc.com  
306-773-7245

**Erin Adashynski**  
Associate  
erin.adashynski@rbc.com  
306-770-2540

**Dorene Bymoen**  
Associate  
dorene.bymoen@rbc.com  
306-773-0301

137 1st Ave NE  
Swift Current, SK S9H 2B1

www.fraserkochan.ca  
1 800 667-2466

## TFSA quick tips – 2020

### Tax-free benefits

With a Tax-Free Savings Account (TFSA), you can contribute up to your contribution limit each year, earn tax-free interest, dividends and capital gains, and even make withdrawals – at any time, for any reason – without paying tax.

### 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 contribute to your TFSA irrespective of your income and can continue contributing even when you're retired – it's a lifelong plan.

As of January 1, 2020, you can contribute an additional \$6,000 to your TFSA to benefit from tax-free growth. With the contribution room from 2009 through 2020, you will be able to contribute up to \$69,500 to grow tax-free.

### TFSA contribution limits (per calendar year)

2009-2012	\$5,000
2013-2014	\$5,500
2015	\$10,000
2016-2018	\$5,500
2019	\$6,000
2020	\$6,000

### Making withdrawals

You can make withdrawals for any reason, and unlike a Registered Retirement Savings Plan (RRSP), you can do so tax free. Plus, the amount you withdraw is added back to your available contribution room the following calendar year. Remember that, unless you have adequate unused contribution room, you have to wait to re-contribute any amounts you have withdrawn in any given year until January 1 of the following year.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 deliberate overcontributions could be subject to 100% tax. There is no requirement to make withdrawals at or by a certain age. As a result, you can let your investment earnings continue to grow tax-free (see chart on the next page).

## Flexibility

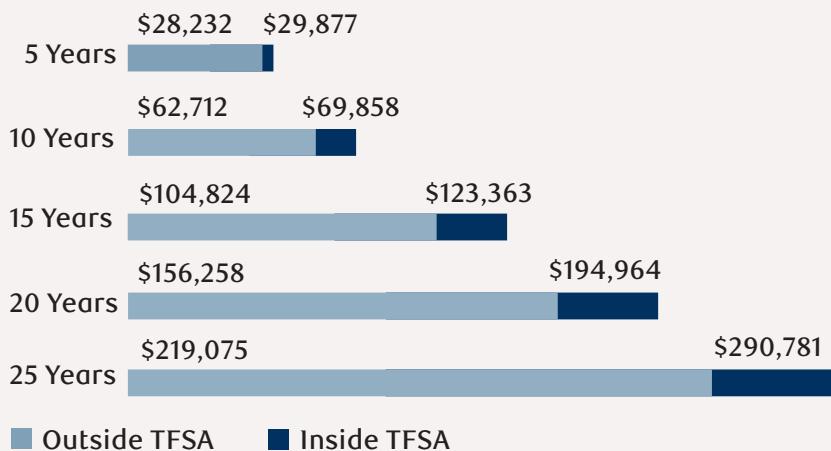
You can use your TFSA to meet a wide range of financial goals, including:

- building long-term wealth through the tax-free growth of your investments;
- generating tax-free retirement income to complement your RRSP or Registered Retirement Income Fund (RRIF);
- funding major purchases;
- providing emergency funding.

## Smart tips for 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 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.

## 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 us 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.

**Whether you need to open your TFSA, make your 2020 contribution or switch to a new TFSA strategy, please contact us for assistance.**