A new tax-smart way to save

The Tax-Free Savings Account

Key advantages

The Tax-Free Savings Account (TFSA) is a new type of savings account with unique tax advantages that complements your existing savings plans.

› Flexibility

Contribute up to $5,000 annually and carry forward unused contribution room indefinitely. Add any amounts withdrawn back to your available contribution room.

› Tax-free benefits

Earn tax-free investment income and benefit from tax-free compounded growth. Make tax-free withdrawals at any time for any reason.

› Versatility

Save for short-term goals like a vacation – or long-term goals like retirement.

› Choice

Choose from a wide range of investments – just like your regular RSP.

› Convenience

Reduce your paperwork – while helping the environment – by receiving your TFSA account statements online.

THE TAX-FREE SAVINGS ACCOUNT

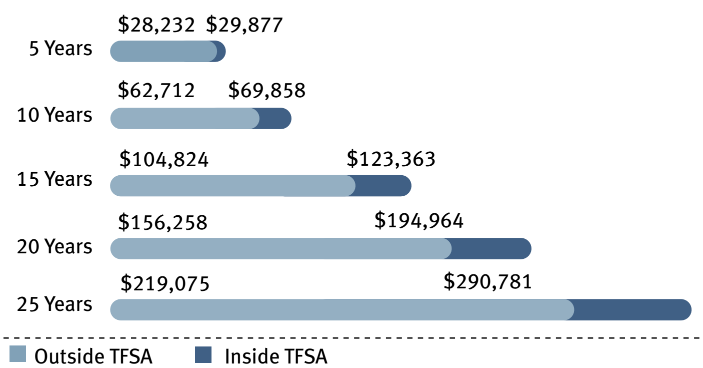
You are planning your family's financial future with tax-smart investment strategies like maximizing your RSPs. Now, you have another tax-smart way to enhance and manage your family's wealth – the Tax-Free Savings Account (TFSA).

With the TFSA, you can contribute up to $5,000 a year, earn tax-free investment income and even make withdrawals without paying tax. It is an ideal complement to your existing Retirement Saving Plan (RSP) or Retirement Income Fund (RIF) – offering you an additional tax-smart savings strategy.

Within your RSP or RIF, your investment earnings grow on a tax-deferred basis, which means you don't pay tax on the earnings until you eventually withdraw them – typically resulting in faster growth. But with the TFSA, your investment earnings grow on a tax-free basis, which means you never pay tax on them – not even at the time of withdrawal.

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 in 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.

HOW DOES THE TFSA WORK?

Opening a TFSA

Any Canadian resident aged 18 and older with a Social Insurance Number can open a TFSA. In some provinces, you have to wait until you turn 19 (British Columbia, Yukon, Northwest Territories, New Brunswick, Nova Scotia and Newfoundland & Labrador). However, TFSA contribution room starts accumulating at age 18 regardless of your province of residence.

Making contributions

You can contribute up to $5,000 to your TFSA in 2009 and, in future years, this amount will be indexed to inflation in $500 increments. You can also gift funds to your spouse or adult child to contribute to their own plans.

There is no income requirement to contribute to a TFSA – you can make contributions even if you have no income.

While your contributions are not tax-deductible against your income, as they are with an RSP, any investment income they earn accumulates tax-free.

If you don't use all of your available contribution room in a given year, it carries forward indefinitely. There is no lifetime limit on how much you can contribute or age limit on how long you can contribute to your TFSA – it's a lifelong plan.

Making withdrawals

You can withdraw as much as you want, whenever you want, for whatever reason you want – and you pay no taxes on the withdrawal. What's more, any amounts you withdraw are added to your available contribution room for future years. For example, say you have $50,000 in your TFSA and $10,000 in available contribution room. You withdraw $10,000 to pay for a vacation. You now have $20,000 in contribution room – $10,000 currently available and an additional $10,000 starting the next year based on the amount of your withdrawal.

Transferring your TFSA

You can transfer the assets in your TFSA at death to your spouse (or common-law partner) tax-free by naming them as the successor account holder in your Will. At death, you can also transfer these assets to your spouse's TFSA without affecting their available contribution room. If you do not name your spouse as the successor in your Will, or you have no surviving spouse, then the TFSA assets will form part of your estate.

A flexible tool to meet your needs

The TFSA is an extremely flexible savings account that can meet a wide range of needs. It can help you:

- Save for short-term goals like financing home renovations or long-term goals like retirement.
- Build additional tax-advantaged retirement savings above and beyond your RSP.
- Earn tax-free income on surplus RIF payments that you don't currently need.
- Boost a family member's education savings beyond their Registered Education Savings Plan (RESP).
- Reduce your family's overall taxes when you give investable assets exposed to your higher tax rate to your spouse or adult children to contribute to their own TFSAs.
- Shelter fully taxable interest income that you are currently earning in a taxable account.
- Create a contingency fund for emergencies or time-sensitive opportunities.

With tax advantages like tax-free income and withdrawals, the new TFSA is a tax-smart complement to your other existing registered plans, like your RSP or RIF. It's also a very flexible account that you can use in a variety of ways to meet a wide range of goals – everything from saving for a near-term goal to boosting your retirement savings to helping your family reduce overall taxes.

For more information about the TFSA, and how it can help you meet your goals, please contact your RBC Dominion Securities Investment Advisor.

eStatements

Reduce your paperwork – while helping the environment. Ask your Investment Advisor about TFSA eStatements.

RBC Dominion Securities

TFSAFACT (11/2008)