



Making the Most of Your Tax-Free Savings Account

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RBC Wealth Management
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What is a TFSA?

A registered account you can use for short- and long-term investment growth and withdrawals – tax-free!

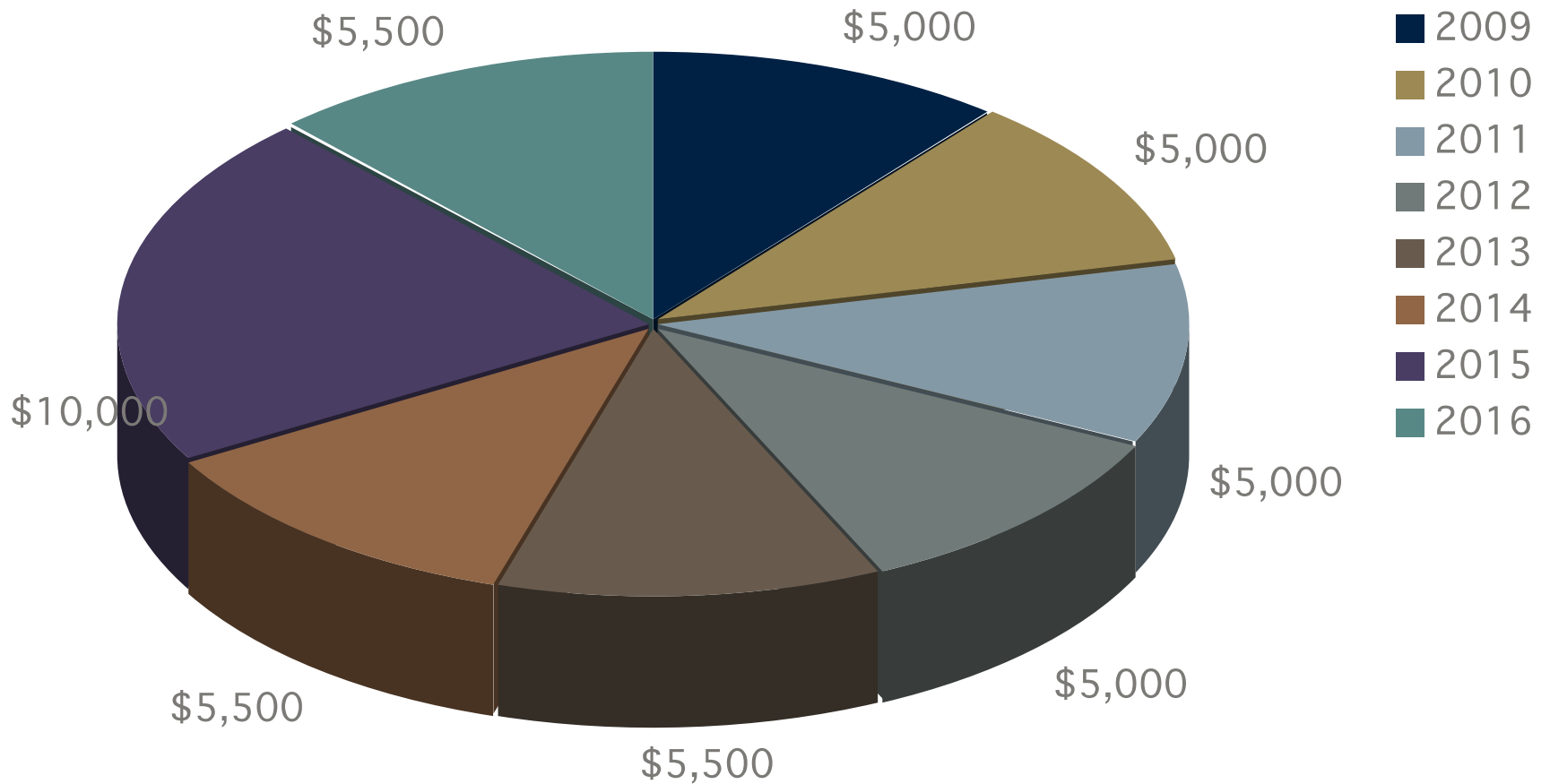
THE TFSA VS. OTHER SAVINGS PLANS

WHAT'S BEST FOR YOU?

- You might hear that TFSAs are a lot like RRSPs and non-registered investment plans
- There are similarities between each option, but each has its own advantages
- So which is best for you, if you have to choose?

	TFSA	RRSP	Non-registered investment plan
Tax-deductible contributions			
Tax-exempt income and withdrawals			
Re-contribution of withdrawals			
No impact on government benefits			
No maximum age for contributions			

HOW CONTRIBUTIONS ACCUMULATE



With the contribution room from 2009 through 2016, you can contribute up to \$46,500, tax-free.

HOW CONTRIBUTIONS ACCUMULATE

- Say you have \$41,000 in your TFSA in 2015, and you withdraw \$5,000 for a trip.
- After the withdrawal, you have \$36,000 remaining in your TFSA
- Starting on January 1, 2016, you can now put in your annual \$5,500 TFSA contribution PLUS the \$5,000 you withdrew in 2015 – for total contribution room of \$10,500.

TFSA contributions	Total
2009 contribution	\$5,000
2010 contribution	\$5,000
2011 contribution	\$5,000
2012 contribution	\$5,000
2013 contribution	\$5,500
2014 contribution	\$5,500
2015 contribution	\$10,000
Total for 2009-2015	\$41,000
less 2015 withdrawal	-\$5,000
2016 contribution	\$5,500
additional contribution room remaining after withdrawal	\$5,000
Total for 2009-2016	\$46,500

MAKING THE MOST OF YOUR TFSA

THE TFSA CAN BE PART OF YOUR OVERALL PLAN

- Emergency/contingency fund
- Tax-free compound growth
- Part of your investment plan
- Reducing the taxes you pay on your investments
- Income splitting with your spouse or lower-income family members
- Tax-free source of retirement income
- Part of your estate plan

Let's look at each of these strategies in greater detail ...

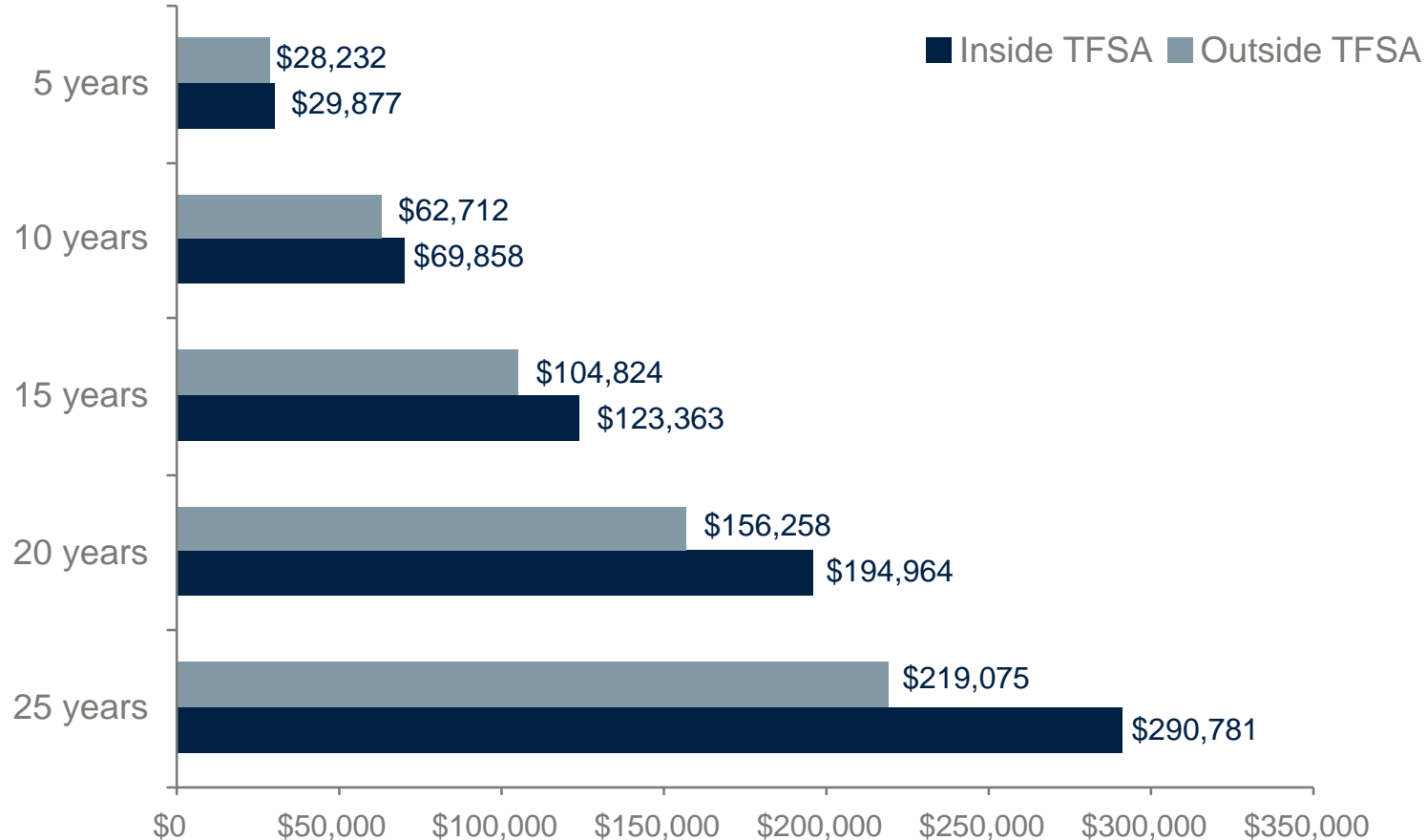
USING THE TFSA AS AN EMERGENCY OR CONTINGENCY FUND

One of the first uses you might think of for your TFSA is for contingency purposes – it's a safe place to save for a rainy day without accruing taxes.

And, once you do withdraw from your TFSA, you can re-contribute the amount down the road ...

TAX-FREE COMPOUND GROWTH

HOW \$5,000 CONTRIBUTED ANNUALLY WITH A 6% RATE OF RETURN CAN GROW INSIDE A TFSA vs. A TAXABLE INVESTMENT ACCOUNT



Assumes a tax rate of 32% outside TFSA, with interest income taxed annually and all contributions made at the beginning of each year. Annual compound interest rate 6%. For illustration only and not indicative of future returns. Excludes fees and commissions. Actual tax rates may vary.

CHOOSING THE RIGHT TFSA FOR YOUR INVESTMENT GOALS

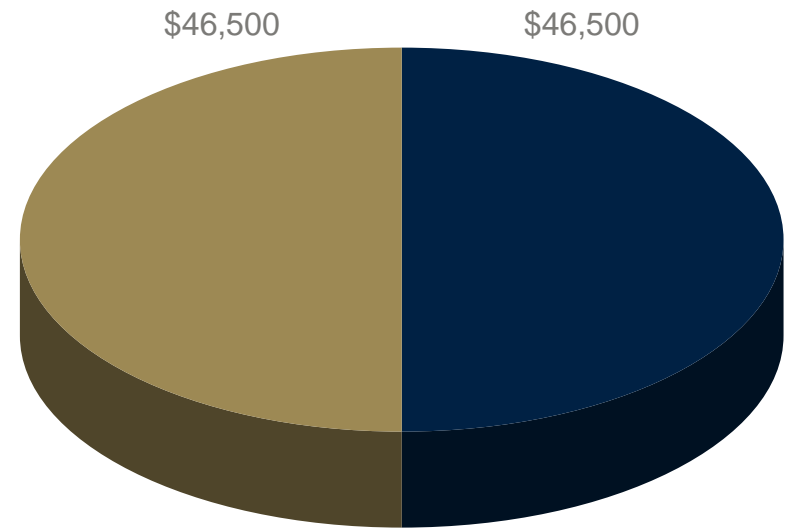
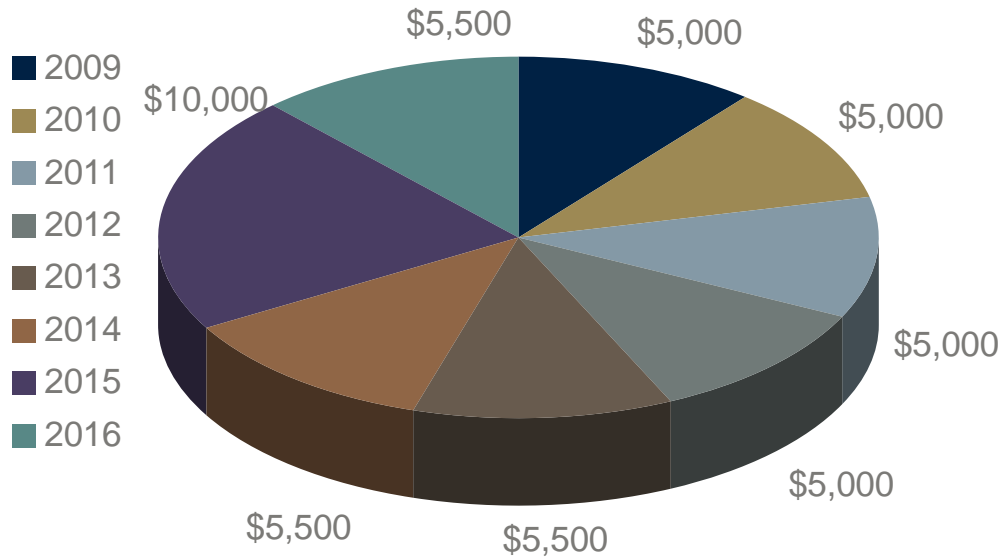


	Full-service investment TFSA	Typical savings-style TFSA
Growth potential	More investment options means greater potential returns	Based on balance of your account and interest rates. If mutual funds are included, growth is based on investment choices.
Investment options	A wide range of options: <ul style="list-style-type: none"> ■ Cash ■ 30+ different GIC issuers ■ Gov't and corporate bonds ■ RBC and independent funds ■ Publicly traded equities 	Limited savings / investment options, such as: <ul style="list-style-type: none"> ■ Cash ■ GICs ■ Single-manager mutual funds
Investment advice	Personalized investment advice	Varies
Costs	<ul style="list-style-type: none"> ■ No commissions ■ 1% annual management fee 	Typically no fee, but there may be an annual flat fee.

SPOUSAL INCOME SPLITTING WITH A TFSA

Individual TFSA
Total \$46,500 in tax-free savings

TFSA with a Spouse
Total \$93,000 in tax-free savings



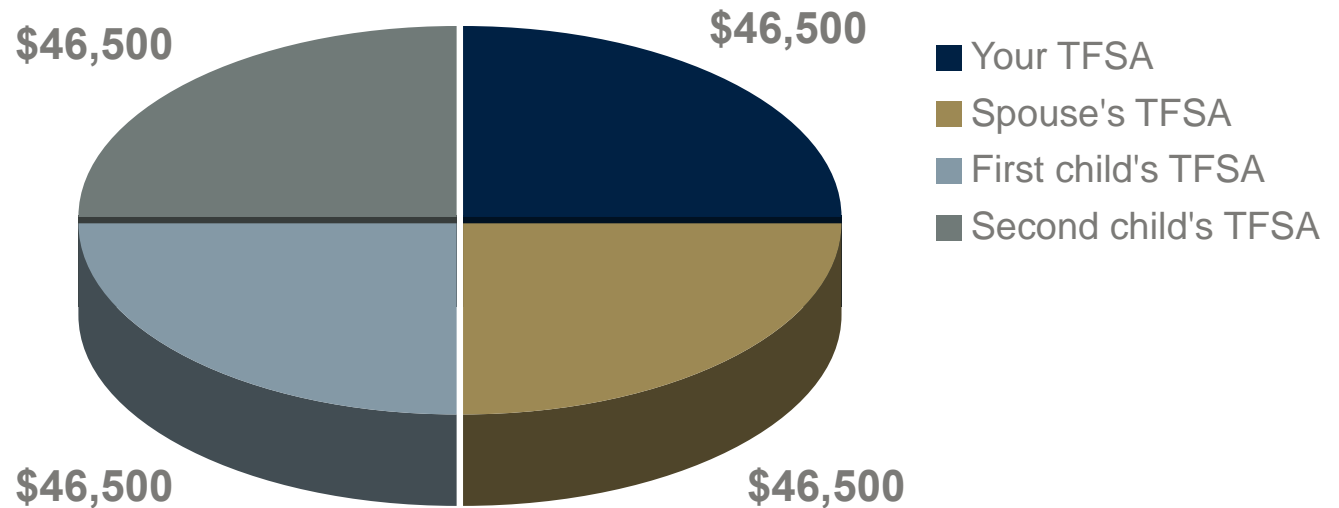
■ Your TFSA ■ Spouse's TFSA

Gift funds to your spouse or common law partner for their TFSA – and together you can invest up to \$11,000 tax-free each year.

That's \$93,000 for 2009-2016.

FAMILY INCOME SPLITTING WITH A TFSA

Family's TFSA Contributions – Total \$186,000



Gift up to \$5,500 annually to your adult children for their TFSAs.
For a family of four, that can add up to \$186,000.

A TAX-FREE SOURCE OF RETIREMENT INCOME



- Your TFSA can be used to save for retirement, yes ...
- It can also be used to draw tax-free income during retirement.
- If you're in a high tax bracket, it makes sense to draw income from the least-taxed assets first – starting with your TFSA.
- If you are already withdrawing from your RRIF, and you don't need the cash flow immediately, you can invest in your TFSA for continued tax-free growth.
- Withdrawing from your TFSA will not impact income you may receive from government programs like OAS payments or clawbacks.

PART OF YOUR ESTATE PLAN

- Funds in a TFSA grow tax-free until the date of your death.
- On death ...
 - The TFSA is deemed to be disposed at its fair market value
 - Income and capital gains earned after your death may be taxable to your beneficiaries
 - TFSA assets can transfer tax-free to a spouse or common-law partner without impacting their contribution room (if applicable in your province)
- By naming someone on your TFSA, your TFSA property will bypass your Will on death, thereby avoiding probate tax (if applicable in your province of residence) and simplifying estate administration for your executor(s).
- Upon the survivor's death, no taxes are due on the investment gains or original capital (unlike RRSPs and RRIFs, where the entire plan may become taxable).



THANK YOU.

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