



## Frequently Asked Questions TFSA

### 1. **What are the benefits of a TFSA?**

A TFSA allows you to set money aside in eligible investments and watch those savings grow tax-free throughout your lifetime. Your TFSA savings can be withdrawn from your account at any time (investment options may limit your redemption i.e. maturity to term), for any reason, and all withdrawals are tax-free.

Investment income earned in a TFSA will not be taxed.

### 1. **Why is a TFSA right for me?**

There's something for everyone with a TFSA and at OECU we can help you plan how it can help you meet your goals. Here are some examples of how you can take advantage of this new savings vehicle:

You can save to buy a specific item, a vacation, a down payment on a house or just for a rainy day? A TFSA is a fantastic all-purpose savings account that offers you complete flexibility to save for a multitude of purposes in one account. You have total control of your funds, you can withdraw as much of your money when you need it and let your remaining savings build up over time, tax free.

Do you have non-registered investments?

A TFSA is ideal if you have or want to start a non-registered investment portfolio. It allows you to turn taxable income into tax-free income for life by creating a more tax efficient investment portfolio. This enables you to maximize your investment growth and, spousal attribution rules don't apply.

Are you retired or earning a pension income?

A TFSA is ideal for excess RIF or pension income. It provides the ability to tax shelter non-registered GIC interest income, withdrawals will not invoke claw-backs of government benefits, and there is no maximum age limit.

### 2. **What types of investments can I hold in my TFSA?**

TFSA-eligible investments include savings, GIC's, mutual funds, stocks, and bonds.

### 3. **Can I withdraw money from my TFSA?**

You can withdraw money from your TFSA at any time however, investment options may limit your redemption i.e. maturity to term. The amount you withdraw can be put back in your TFSA starting the following year without impacting your contribution room.

**4. How is a TFSA different from an RRSP?**

An RRSP is primarily intended for retirement. A TFSA is a good idea for everything else in your life.

Both plans offer tax advantages, but they have key differences.

- Contributions to an RRSP are deductible and reduce your income for tax purposes. In contrast, your TFSA savings will not be deductible.
- Withdrawals from an RRSP are added to your income and taxed at current rates. Your TFSA withdrawals and growth within your account will not—they will be tax-free.

**5. What happens if I contribute more than my contribution room?**

Similar to an RRSP, you will be charged an over-contribution penalty of 1% per month on your excess contribution amount by The Canada Revenue Agency (CRA).

**6. How will I know what my TFSA contribution room is for a given tax year?**

Canada Revenue Agency (CRA) will track your contribution room. CRA intends to report this amount to individuals on their Notice of Assessment and through the “My Account” function on the CRA web site.

**7. Would contributions and withdrawals have any impact on my eligibility for federal income-tested benefits, such as the Canada Child Tax Benefit and the Guaranteed Income Supplement?**

Neither income earned in your TFSA, nor withdrawals, will affect your eligibility for federal income-tested benefits.

**8. What happens to my TFSA if I pass away?**

You will have the option to transfer your TFSA assets to your spouse or common-law partner upon death without any impact on the survivor’s existing contribution room.

**9. Can I contribute to my spouse’s TFSA?**

Yes. You will be able to contribute to a spouse’s TFSA without affecting your own contribution room. Income attribution rules do not apply.

**10. Would the income earned in that account be attributed back to me?**

No. Your spouse owns the TFSA and will earn any investment income and capital gains in the account.

**11. Can TFSA assets be used as security for a loan?**

Yes. TFSA assets can be used as security for a loan.

**12. Can a non-resident of Canada open a TFSA?**

No. A TFSA can only be opened by Canadian residents.

**13. If I become a non-resident while I have a TFSA can I still make contributions?**

If you become a non-resident, you are able to maintain your TFSA and will not be taxed on any earnings or withdrawals in the account. However, you will not be allowed to contribute additional funds and no contribution room will accrue for the years in which you are a non-resident.