



Fiscal Wellness Inc.
KEEPING YOU INFORMED

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Issue #1
January, 2009

Tax Free Savings

As investment and tax professionals we are very excited about the advent of the **Tax Free Savings Account**. This new savings account allows you to make investments of your choice such as mutual funds or GIC's. The income earned on these investments is **never taxable**. This makes your investment return higher than the same investment elsewhere. Since no two people are the same, come in and meet with us to see how this type of savings account can benefit you.

Start date: January 1, 2009.

Who's eligible: Canadian residents age 18 or older.

Contribution limit: \$5,000 per year, beginning 2009 (the TFSA dollar limit will be indexed to inflation and rounded to the nearest \$500 in later years). Unused contribution room can be carried forward to future years. Any amounts withdrawn will also be added to contribution room in the following year.

Over-contribution penalty: The Canada Revenue Agency will charge a penalty of 1% per month based on the actual monthly over-contribution amount.

Deductibility: Contributions to a TFSA cannot be deducted for income tax purposes.

Tax on investment income: None. Investment income (including capital gains) earned in a TFSA is not subject to tax.

Tax on withdrawals: None. Investors can withdraw funds from a TFSA at any time for any purpose and will not be taxed or otherwise penalized.

Eligibility for federal income-tested benefits and credits: Income earned in a TFSA and withdrawals from a TFSA will not affect eligibility for benefits and credits such as the Canada Child Tax Benefit, Employment Insurance benefits, Guaranteed Income Supplement, Old Age Security benefits, Age Credit and Goods and Services Tax Credit.

Spousal TFSAs: Individuals can contribute to a spouse's TFSA. Contributions made by an individual into a spouse's TFSA are not subject to the income attribution rules.

Tracking contribution limits: Each year, the government determines and advises individuals of their TFSA contribution limits for that tax year.