

TAX FREE SAVINGS ACCOUNTS (TFSA)

The Benefits of Growth,
The Flexibility of Savings



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SPECIAL THANKS TO OUR PARTNERS AT AGF



AGENDA

- What is a TFSA?
- How does it work?
- TFSA Features
- TFSA vs. RRSP vs. Cash Accounts
- Tax Benefits
- Investment Strategies
- Reason to open a TFSA

What is a TFSA?

- An account available to all Canadian residents 18 years and older (valid SIN # required)
- Launched January 1, 2009
- Allows you to earn investment income tax free
- Withdrawals are tax free
- Contribution limit for 2009 is \$5,000*

*indexed to inflation, rounded off to nearest \$500

How Does it Work?

Contributions are made with after tax dollars

- They are **not** tax deductible

Contribution limits are not tied to income

- One spouse can fund both plans
- Parents may contribute to an adult child's plan

Any unused contributions can be carried forward

How Does It Work?

- Withdrawals can be recaptured the following year or carried forward
- Accounts can hold stocks, bonds, mutual funds, GICs, cash....any investment that can be held in an RRSP
- Withdrawals, interest/dividends earned and gains realized **has no impact on government benefits**

TFSA Features

Reinvested distributions do not affect contribution room

- Cash dividends **are** considered withdrawals

Non-residents cannot open or contribute to TFSAs

- But they can maintain and withdraw from a TFSA that they opened when they were Canadian residents

TFSA Features

Over contributions are subject to a 1% monthly penalty on excess amount

50% one time penalty tax on non-qualified investments

- Any investment income generated by the non-qualified investment is taxable
- The non-qualified penalty is generally refundable if investment is disposed of before end of calendar year

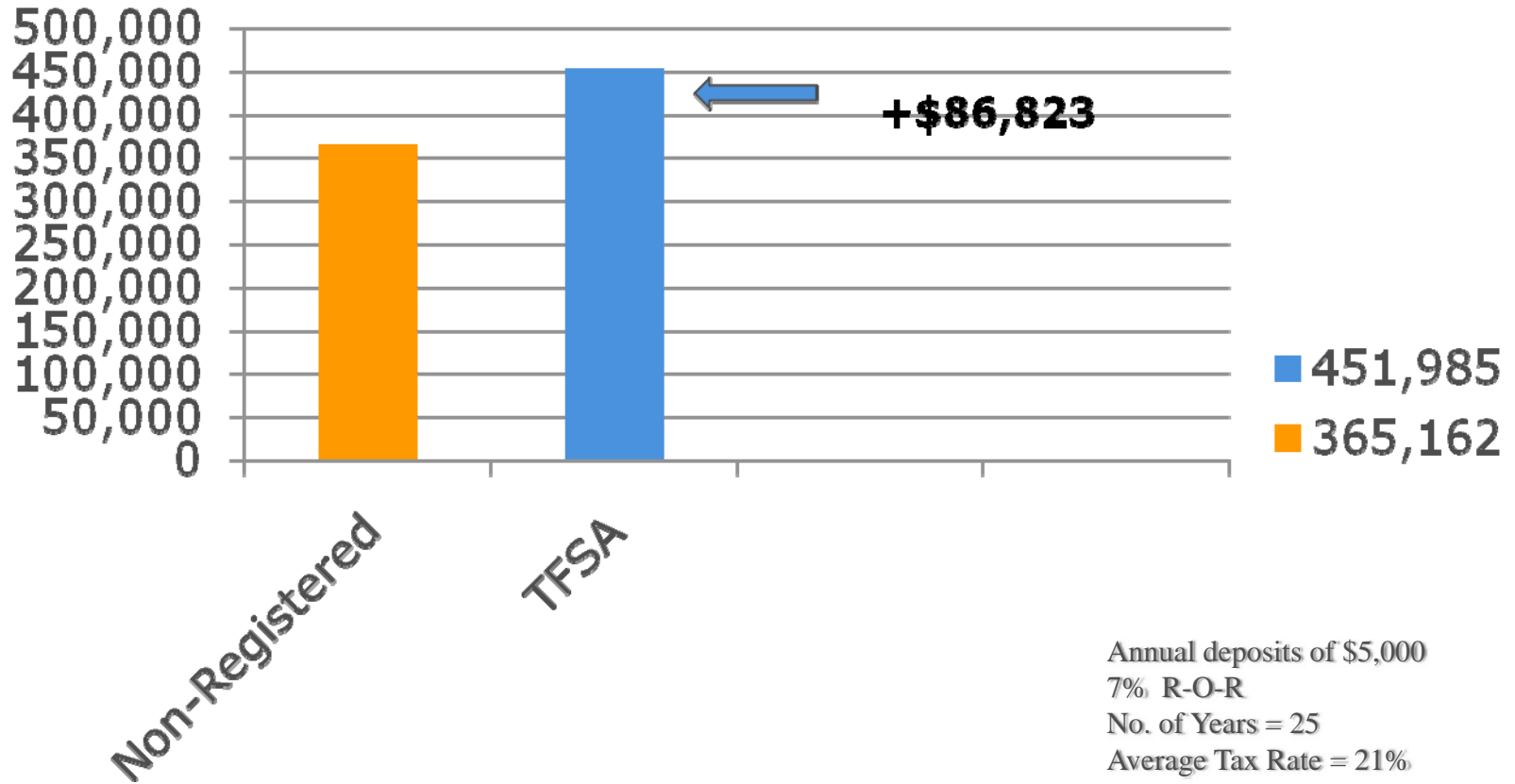
Comparing TFSAs vs. RRSPs vs. Cash Accounts

Product Features	TFSA	RRSP	Cash Accounts
Annual contribution limit	\$5,000 in 2009	18% of earned income or \$21,000 in 2009 (whichever is lower)	No limits
Contribution room carry-forward	Yes	Yes	N/A
Re-contributions of withdrawals	Yes	No (except for Home Buyer's Plan and Life Long Learning Plan)	Yes

Comparing TFSAs vs. RRSPs vs. Cash Accounts

Product features	TFSAs	RRSPs	Cash Accounts
Taxable consequences	No tax on growth or withdrawals	Withholding tax applies at time of withdrawal and withdrawn amounts are added to income on tax return	Fully taxable on growth
Maximum contribution age	No	Yes (71 years old)	No
Tax-deductible contributions	No	Yes	No

Tax Benefits -TFSA vs. Cash Account



Investment Strategies That May Be Right For You

Seniors/Retirees

- No effect on eligibility for federal tax credits or income-tested benefits
- Can invest surplus income from minimum RIF payments
- Can contribute past the age of 71
- Can “melt down” RRSP before age 65 to reduce or eliminate OAS claw back



Investment Strategies That May Be Right For You

Income splitting with spouse or children aged 18 and over

- TFSA contribution room does not depend on earned income
- Earnings and growth are **not** attributable to person who financed the account

Low-income investors

- Greatest tax advantage for those who contribute when in a lower tax bracket
- Then withdraw later, tax free, when marginal tax rate is higher

Investment Strategies That May Be Right For You

Complement to RRSP

- Additional tax savings vehicle for RRSP maximizers
- Tax refund from RRSP deductions can be invested in TFSA
- Will not have to cash in RRSPs during financial setback (cannot re-coup contribution room and must add to income)

Investment Strategies That May Be Right For You

Saving for large ticket items-vacation, car, house purchase or renovation, education expenses, wedding or maternity Leave:

- Flexible withdrawals without penalty
- Can recapture contribution room
- No taxes payable on investment gains

Investment Strategies That May Be Right For You

Can be used with a non-registered fund for tax savings

- Can implement tax loss strategy within the non-registered fund while sheltering growth in the TFSA
- Can choose which account withdrawals will come from (from TFSA when in a bull market...from non-registered in bear market)

Reasons to Consider Opening A TFSA

- You can have significant accumulation over time
- The most important tax savings and investment vehicle in Canada since the RRSP
- Compliments your RRSP
- Major component to overall tax planning
- Income splitting opportunities
- Does not reduce OAS and other govt. benefits

Reasons to Open A Manulife Securities TFSA

- Provides the option to purchase a variety of investments such as:
 - Stocks
 - Bonds
 - Mutual Funds
 - GICs, etc.
- Provides a 'stream-lined' account, minimizing the need to open several accounts at different financial institution
- A Manulife Securities account is a "one-stop solution"

DISCLAIMER

The foregoing should not be viewed as tax advice. Investors should consult their tax advisor and investment professional prior to implementing any changes to their investment strategies.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments.

The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values or returns on investments.



Q&A

On behalf of our team,
THANK YOU