

# Do you want to pay less tax on your savings?

The new Tax-Free Savings Account (TFSA) provides an additional opportunity to save to reach your goals.

Canadians can now contribute up to \$5,000 annually to a new, special tax-free savings account, where their **returns and withdrawals are not subject to income tax.**

The TFSA is considered “**the single most important personal savings vehicle since the introduction of the Registered Retirement Savings Plan (RRSP).**”<sup>1</sup>

Its tax-free earnings, tax-free withdrawals, and flexibility make the TFSA an effective way to save for both your short-term and long-term goals. It's a great way to supplement your RRSP, Registered Retirement Income Fund (RRIF), Registered Education Savings Plan (RESP), or non-registered investments.



## How the TFSA works

- Any Canadian resident 18 years or older can open a TFSA
- You are allowed to contribute up to \$5,000 a year
- Your earnings within the plan are **completely tax-free**
- You are **not taxed on withdrawals**
- Your TFSA contributions are **not tax deductible**
- You can **withdraw money for any reason**<sup>2</sup>
- Your **withdrawals can be re-contributed**, in full, in a later year without affecting your regular annual contribution room
- Your withdrawals have **no impact** on **government benefits** such as Child Tax Benefit or GST credit

How will you make the most of your TFSA?

Talk to a CIBC advisor today.



## Great for short-term savings

Brett plans to use his TFSA to save for home renovations. He'll deposit \$5,000 a year for three years in a CIBC TFSA account.

Within four years, he expects to have \$16,000 that he can withdraw to pay for the renovations. He'll pay no tax on this withdrawal.

The following year, if he has sufficient cash flow, he can replace the \$16,000 he took out as well as make his regular maximum annual contribution.



## Strategies for maximizing TFSA benefits

### Carry forward unused contribution room.

If you don't have enough cash to contribute the maximum in any year, the unused contribution room is carried forward on a cumulative basis. When you do have extra cash, your TFSA is one of the best places to put it.

### Diversify to reduce risk and enhance potential returns.

A wide range of investments are eligible for the TFSA. Create the mix that meets your needs for security and growth, all without paying a cent in tax on earnings or withdrawals.

### Maximize your spouse's TFSA.

Ordinarily, if you give your spouse money to invest, the earnings are attributed back to you for income tax purposes. But there is no attribution when you give your spouse the money to contribute to a TFSA.

## Great for long-term savings

Rachel is in her mid 50s and plans to contribute the maximum to her TFSA right up until she retires at age 65. At that point, she'll qualify for Old Age Security (OAS) benefits.

She'll be able to withdraw as much as she wants from her TFSA with no income tax implications. In addition, her withdrawals are not counted as income, and so they won't trigger the OAS "clawback." She'll be able to receive her full OAS entitlement.



**It's worth a talk.™**

Talk to a CIBC advisor,  
call 1-800-465-2422 or visit [cibc.com/TFSA](http://cibc.com/TFSA)  
to learn more and watch our TFSA video.



**For what matters.**