

Client Guide

Tax-Free Savings Accounts



How to invest tax free

A tax-free savings account is a registered savings vehicle, where contributions are made with after-tax dollars and withdrawals are tax free. This means that money can be earned in the account and withdrawn at any time without being taxed.

As of 2009, any Canadian resident age 18 and older can save up to \$5,000 every year in a TFSA. The \$5,000 annual contribution limit will be indexed to the Consumer Price Index and rounded to the nearest \$500.

TFSAs can hold the same investments as other registered accounts, including mutual funds and segregated funds. But they are different from RRSPs because any amount withdrawn from the account is automatically added back to the contribution room for the following year. Any unused contribution room can be carried forward indefinitely to future years.

TFSAs are more flexible than RRSPs, which require you to have an earned income and be under the age of 71 in order to make a contribution.

Comparing Savings Vehicles

TFSA versus a non-registered account

Capital gains and other investment income earned in a TFSA are not taxed.

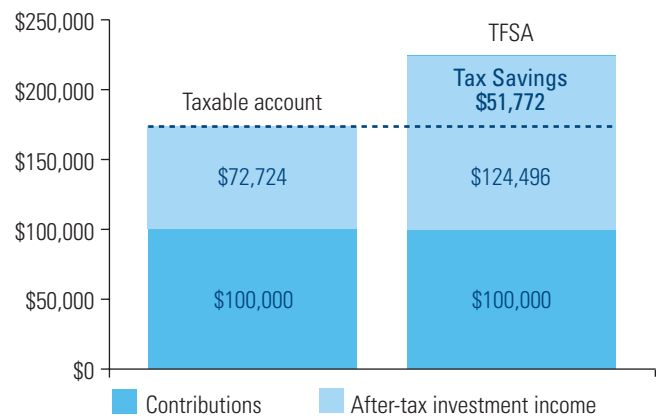
So, if you contributed \$5,000 a year for 20 years to a TFSA, you would enjoy a total tax savings of \$51,772 over a non-registered account.

Calculating contribution room

In 2009, Kim contributes the maximum \$5,000 to her TFSA. The following year, 2010, she withdraws \$2,200 and makes no further contributions during 2010 and 2011. At the end of 2011 her TFSA has \$3,500.

In 2012, she can contribute:

- the \$2,200 that was withdrawn in 2010
- \$10,000 (\$5,000 for her 2010 and 2011 unused contribution room)
- and, \$5,000 for the current year
- for a total of \$17,200.
- Any deposits made during 2012 will be deducted from \$17,200. If she does not use up her full contribution room during the year, she can carry it forward to future years.



* Assumes a \$5,000 annual contribution for 20 years, a 7.5% rate of return and a marginal tax rate of 43.5%.

Source: TFSA calculator which can be found at www.tfsa.gc.ca/cal-eng.html

TFSA vs. RRSP

TFSA	RRSP
For virtually all savings and investment objectives	Primarily for retirement
Contributions are made with after-tax income	Contributions are tax deductible
Contribution room is added back when withdrawals are made	Contribution room is used up when withdrawals are made
Withdrawals are tax free	Withdrawals are added to income and taxed at your current rate
No requirement to withdraw at any age	Must be converted to a RRIF by age 71; withdrawals after that age are mandated according to a schedule based on age
Contributions can be made any time for those age 18 and older	Contributions cease at age 71
Annual maximum contribution – \$5,000 indexed to inflation	Annual maximum contribution – 18% of earned income in the previous year to a maximum of \$22,970 in 2012

How taxation affects the choice

When choosing between a TFSA and an RRSP, one of the main considerations is your current and future levels of taxation.

Generally, savers who expect to have the same or lower tax rates during retirement as during their working years benefit more from the RRSP, while others would benefit more from a TFSA.

Another consideration may be an individual's eligibility for income-tested benefits such as Old Age Security, the Guaranteed Income Supplement, Canada Child Tax Benefit, the GST credit and the Age Amount Tax Credit. Unlike income from an RRSP or Registered Retirement Income Fund (RRIF), which is included when calculating these benefits, withdrawals from a TFSA do not affect the level of benefits received. It should be kept in mind that every individual faces different circumstances and financial needs.

Talk to your financial advisor

CI Investments has been managing money for over four decades and today is one of Canada's largest investment fund companies. We provide the industry's widest selection of investment products and leading portfolio managers. Our investment management expertise is available through several different platforms – including mutual and segregated funds and managed solutions. We have an investment solution to meet your needs.

CI is proud to partner with financial advisors across Canada, who offer our funds to you. We believe you're most successful when you follow a sound financial plan developed with the assistance of a qualified advisor. Talk to your advisor about the best way to incorporate a TFSA into your savings and investment plan.

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For more information on CI's Tax-Free Savings Accounts,
please contact your Financial Advisor or visit www.ci.com/tfsa

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1109-1281_E (03/12)