



TFSA

TAX-FREE SAVINGS ACCOUNT

A flexible way to save.

What you need to know about the TFSA

Tax-free savings

Investment gains on TFSA contributions are not taxed while in your TFSA account or when you withdraw the funds.

Contribution limit

Annual contribution limits have varied since the introduction of the TFSA in 2009 (see table). Importantly, any room you don't use in a given year gets carried forward indefinitely.

For an investor who has been eligible for a TFSA since 2009 and has yet to make a contribution, the total available room as of 2024 is \$95,000.

The TFSA is an effective way to grow your savings, as the gains you make on the money you contribute and invest are not taxed when you make a withdrawal.

Annual contribution amounts

2009	\$5,000	2015	\$10,000	2020	\$6,000
2010	\$5,000	2016	\$5,500	2021	\$6,000
2011	\$5,000	2017	\$5,500	2022	\$6,000
2012	\$5,000	2018	\$5,500	2023	\$6,500
2013	\$5,500	2018	\$5,500	2024	\$7,000
2014	\$5,500	2019	\$6,000		
Total					\$95,000

Withdrawing and recontributing

You can recontribute any amounts you withdraw from your TFSA. However, you must wait until the next calendar year if you've contributed the maximum amount.

TFSA vs. RRSP

TFSA's and RRSP's are both great ways to save, and while they share some features, they are actually quite different. The following table illustrates the key similarities and differences.

	TFSA	RRSP
Minimum age requirement?	18	No
Maximum age requirement?	No	71
Annual contribution limit?	Yes	Yes
Contributions tax deductible?	No	Yes
Withdrawals tax free?	Yes	No
Carry forward unused contribution room?	Yes	Yes
Contribution limit based on earned income?	No	Yes

Questions and answers about the TFSA

1 Can I have TFSA accounts at different financial institutions?

Yes, although all accounts are still subject to the single combined annual contribution limit.

2 What if I contribute more than my TFSA annual limit?

If, at any time, you contribute an amount above your annual limit, you'll be charged a tax of 1% per month on the excess amount until it's withdrawn or until your TFSA contribution room for the following year resets.

3 Can I hold foreign investments in my TFSA?

Yes, but if dividend income from a foreign country is paid to a TFSA, it could be subject to foreign withholding tax.

4 Can I share my TFSA with my spouse?

You can't share an account but you may contribute to your spouse or common-law partner's TFSA, subject to his or her available contribution room.

5 What happens to my TFSA when I die?

If you name your spouse or common-law partner as the successor account holder, your TFSA funds can be easily transferred and continue to grow tax free. If you don't appoint a successor account holder, additional steps are required.

Your savings can grow much faster in a TFSA

A \$6,500 contribution per year for 20 years with annual investment gains of 6% could grow to \$253,453 in a TFSA. The same contributions earning interest in a regular savings account would only grow to \$203,606.

That's a difference of

\$49,847

Illustration assumes \$100,000 annual income and Ontario tax rate.

\$26,614 — average fair market value of individual TFSA accounts.

\$40,782 — average unused TFSA contribution room.

Source: <https://www.canada.ca/content/dam/cra-arc/prog-policy/stats/tfsa-celi/2020/table3-en.pdf>

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