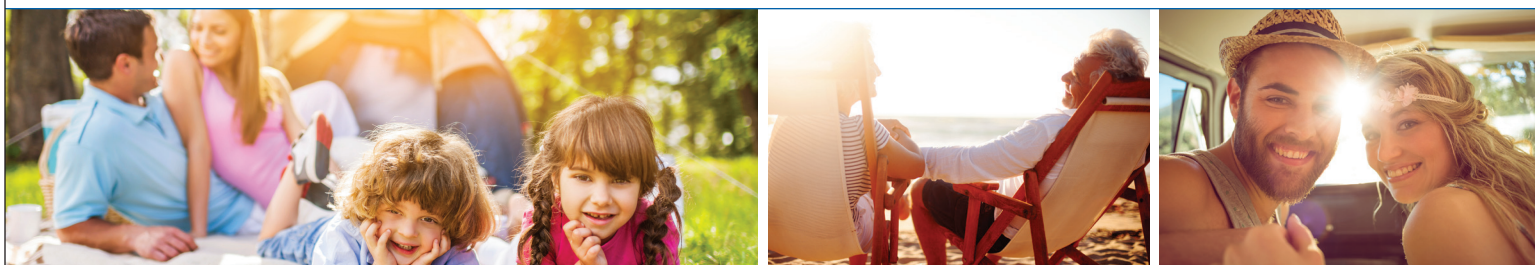


Tax-Free Savings Account: A great way to grow your savings and earn tax-free income

RBC Guaranteed Investment Funds



The TFSA is the single most important individual savings program since the introduction of the Registered Retirement Savings Plan (RRSP). This type of investment vehicle allows Canadians to earn tax-free investment income and is a great alternative for tax sheltering your savings. The savings can be used for a variety of needs and goals, such as purchasing a new car, renovating your house or taking your family on vacation.

Who is eligible to open a Tax-Free Savings Account?

You must be a Canadian resident who is at least 18 years of age and have a Social Insurance Number. In Newfoundland, New Brunswick and Nova Scotia, you must be at least 19 years of age. Once you open a TFSA, you can continue to hold it even if you leave Canada.

Features and benefits of a TFSA

- You can contribute up to \$5,500 per year to your TFSA.
- Contributions to a TFSA are not tax-deductible, but investment income and capital gains in the account will grow tax-free. Monies withdrawn from the TFSA are not included as income and are not subject to tax.
- Unused contribution room can be carried forward to future years.
- The contribution amount is indexed annually for inflation and rounded to the nearest \$500.
- TFSAs can benefit those who have reached the maximum allowable age (71) to contribute to an RRSP as there is no age limit when contributing to and withdrawing from a TFSA.
- If you overcontribute, you will be subject to a 1% penalty per month on the excess amount.
- The account is assigned to one accountholder (i.e. the annuitant) and cannot be held jointly with a spouse or partner, but you can contribute to one another's account.

What happens when you make a withdrawal?

- You can withdraw funds from a TFSA for any purpose.
- Withdrawals are tax-free and will not increase your income for the year.
- Any withdrawals will be added to your unused contribution room for the next calendar year.

How are contributions tracked?

The Canada Revenue Agency tracks your available TFSA contribution room through the annual filing of your income tax return.

If you pass away, what happens to the income and gains?

Any earnings accumulated after the annuitant's date of death are taxable, while earnings accumulated before death remain exempt. To avoid this situation, you can name your spouse or common-law partner as the successor annuitant on your policy. Another option is to transfer the assets to the account of the surviving spouse or partner, which will not impact their existing contribution room.

What's the difference between an RRSP and a TFSA?

- An RRSP is primarily intended for retirement, while a TFSA can be used for all types of purchases and short- or long-term plans such as home renovations, vacations or starting up a business.

- When you contribute to an RRSP, the contributions are deductible and reduce income for tax purposes, while contributions made to a TFSA are not deductible.
- When you withdraw from an RRSP, the withdrawal is added to income and taxed at the current rate, while TFSA withdrawals and growth within an account will not be taxed.

RBC Guaranteed Investment Funds:

A smart investment choice

An RBC® Guaranteed Investment Fund (GIF) is a qualified investment under the new TFSA. GIFs offer you the growth potential of mutual funds with the security of principal guarantees. When you're looking for a strategy to save your money and to reduce taxes through a TFSA, RBC GIFs provide a solid choice to meet your needs.

Choosing to invest in an RBC GIF within your TFSA can provide many additional benefits, including capital preservation, bypassing probate, potential creditor protection and minimizing fees as well as taxes.

There is confidence in knowing that your assets are well invested and well protected. RBC GIFs are a powerful investment solution to help you meet your needs.

For more information regarding TFSAs or RBC Guaranteed Investment Funds, please speak with your advisor.



RBC Insurance

Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value. RBC Guaranteed Investment Funds are individual variable annuity contracts and are referred to as segregated funds. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. When clients deposit money in an RBC Guaranteed Investment Funds contract, they are not buying units of the RBC Global Asset Management Inc. mutual fund or portfolio and therefore do not possess any of the rights and privileges of the unitholders of such funds.