

Tax-Free Savings Account: Frequently Asked Questions

RBC Guaranteed Investment Funds

General Questions

What is a TFSA?

A Tax-Free Savings Account (TFSA) allows Canadians to set money aside in eligible investment vehicles and watch those savings grow tax-free throughout their lifetimes.

What can a TFSA be used for?

A TFSA can be used to save for a variety of short-term and long-term goals.

Plus, if you've maximized your Registered Retirement Savings Plan (RRSP) contribution room or can no longer make RRSP contributions, an RBC® GIF TFSA could be the solution. Another great opportunity is to use your RBC GIF TFSA for income splitting with your spouse. And, just like your RBC GIF RRSP, you can make automatic contributions on a regular basis.

How is a TFSA different from an RRSP?

- Withdrawals from a TFSA are tax-free and do not result in lost contribution room.
- Contributions to a TFSA are not tax-deductible.
- With a TFSA you don't need earned income to accumulate contribution room.
- There is no requirement to convert the TFSA to an income payment option (e.g. RRIF) at any age.
- You can give money to your spouse to open a TFSA without being subject to the Canada Revenue Agency (CRA) attribution rules.

What investment options are available for TFSAs?

The investment options are similar to the investment options available for your RRSP. RBC Guaranteed Investment Funds are qualified investments under the TFSA.

Do I need to have a particular income level to take advantage of a TFSA?

There is no minimum or maximum income level. Every eligible person will accumulate contribution room each year starting in 2009.

Can I open a joint TFSA account?

No. Similar to registered retirement accounts, such as RRSPs, government rules only permit individual accounts.

Who is eligible for a TFSA?

All Canadian residents age 18 and older with a Social Insurance Number can open a TFSA.

The age of majority is 19 for residents of Newfoundland and Labrador, New Brunswick, Nova Scotia, British Columbia, Northwest Territories, Yukon, and Nunavut, which may delay the opening of a TFSA. However, the accumulation of contribution room will start at age 18.



Insurance

Can the TFSA be opened in the name of non-personal business clients?

No, as a registered account, the TFSA can only be opened in a personal client's name.

Contribution Questions

How much am I allowed to contribute per year?

You can contribute up to \$6,000 each year. This is the current TFSA limit as of 2019. (Maximum limits are set by the government and subject to change.)

If I am earning no income, can I still make contributions to my TFSA?

Yes. If you are eligible, you will accumulate contribution room each year — even if you have earned no income.

How is my future contribution room impacted by withdrawals and market growth or loss?

Any future re-contribution amounts after a withdrawal will reflect the gross withdrawal amount plus any market growth or minus any market loss. This means your contribution limit for the following year will include:

Gross withdrawals in previous years
PLUS
 The current year's contribution limit

Example #1

Date	Contribution	Withdrawal
Jan. 1, 2019	\$6,000	\$0
Jan. 1, 2020	\$10,000	\$0
Dec. 31, 2020	\$0	\$18,000

* Includes a \$2,000 market gain

Your contribution limit for the year 2021 will be:	
Amount of withdrawal	\$18,000
PLUS your new annual contribution amount	\$6,000
	\$24,000

Example #2

Date	Contribution	Withdrawal
Jan. 1, 2019	\$6,000	\$0
Jan. 1, 2020	\$10,000	\$0
Dec. 31, 2020	\$0	\$14,000

* Includes a \$2,000 market loss

Your contribution limit for the year 2021 will be:	
Amount of withdrawal	\$14,000
PLUS your new annual contribution amount	\$6,000
	\$20,000

If I am unable to contribute in a given year, will I be able to use my unused contribution room in a future year?

Yes. Your unused contribution room can be carried forward indefinitely. There is no limit on how much contribution room you can accumulate.

For example, if you contribute \$3,000 to your TFSA in 2019, your contribution room for 2020 will be \$9,000 (\$3,000 carried forward from 2019 plus \$6,000 for 2020).

Also, TFSA contributions are in addition to any RRSP contribution room you may have.

What happens if I over-contribute for the year?

Similar to an RRSP, CRA will assess a penalty of 1% per month on your excess contribution.

How will I know what my TFSA contribution room is for a given year?

CRA will track your contribution room. CRA intends to report this amount to individuals on their Notice of Assessment and through the "My Account" function on the CRA website.

Is there a lifetime contribution limit?

There is no lifetime limit on the amount of your contributions. If you are eligible, you can accumulate the maximum amount every year.

Can I contribute to my spouse's or common-law spouse's TFSA?

No, the TFSA account holder is the only person who can contribute to their TFSA. The qualifying TFSA arrangement prohibits anyone other than the holder from making contributions directly to their TFSA.

If I give funds to my spouse to contribute to their TFSA, who will get the income, me or my spouse?

Your spouse owns the TFSA and will earn any investment income and capital gains in the account.

Withdrawal Questions

Can I withdraw the money I've contributed to my TFSA for any purpose or for specific circumstances?

You can withdraw amounts for any purpose. There are no restrictions. However, when investing in RBC Guaranteed Investment Funds, withdrawals may be subject to fees and will proportionately reduce your principal guarantees.

Are withdrawals subject to income tax?

No. Withdrawals can be made tax-free and will not increase your income for the year. Since withdrawals will not be taxed and will not be considered taxable income, there will be no impact on your income-tested benefits and credits from the federal government, such as Old Age Security (OAS) and Guaranteed Income Supplement (GIS) or credits such as the Age Credit.

If I withdraw money from my TFSA, can I re-contribute this withdrawn amount later on in the tax year?

Withdrawals you make in the current calendar year will be added to your unused contribution room. Amounts can't be re-contributed until the following calendar year or later.

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

Additional Questions

If I pass away, what happens to the income and gains in my TFSA?

The value of the plan as of your date of death will not be subject to tax. However, any growth in value after that date will be taxable to the recipient when paid out to them, or taxed in the TFSA if not paid out by the end of the calendar year following the year of death, unless your surviving spouse or common-law partner becomes the successor holder of the TFSA.

If there is a breakdown of my marriage or common-law partnership, what will happen to my TFSA?

TFSA assets may be transferred between spouses or common-law partners upon marriage or relationship breakdown, but the transfer will not reinstate the contribution room of the transferring spouse or reduce the contribution room of the receiving spouse.

How are losses treated in a TFSA?

As investment income and capital gains within the TFSA are not taxed, any losses generated in the account can't be used against other taxable gains.

Where can I get more information regarding the TFSA?

The Government of Canada is committed to providing you with up-to-date information. For more details about TFSAs, visit www.tfsa.gc.ca.



Insurance

Information about the Tax-Free Savings Account is based on what is currently available from the Canadian government.

This information is being provided for general information purposes only and the contents should not be relied upon as containing specific financial, investment, tax or related advice. Clients must seek their own independent advice.

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 into 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.