



# Tax-Free Savings Account (TFSA)

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## TFSA highlights

- **No tax on interest, other investment earnings or capital gains.**
- **You can hold a variety of investments in a TFSA (e.g., cash, GICs, mutual funds, bonds, stocks and more).**
- **Withdrawals are tax-free and you can make withdrawals at any time.**
- **Withdrawn amounts can be re-contributed in later years.**
- **Unused contribution room is carried forward indefinitely.**
- **No restrictions on how the funds are used once withdrawn.**
- **Withdrawals do not affect eligibility for federal government benefits.**

# An exciting opportunity to invest — *tax-free*

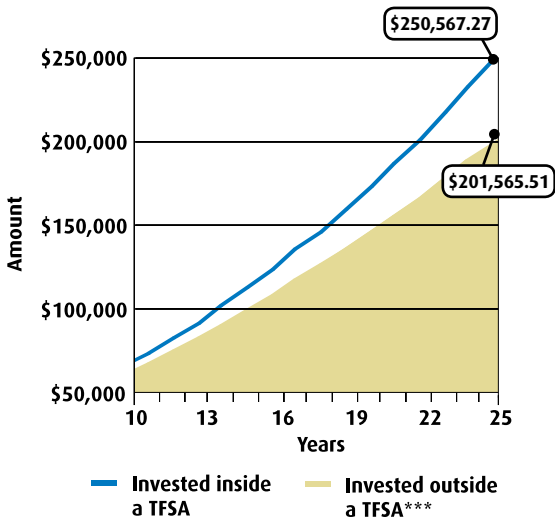
The Tax-Free Savings Account (TFSA) is a savings plan that allows Canadians to invest and earn tax-free returns. Whatever income (interest, dividends, and capital gains) you earn in your BMO® TFSA is tax-free for life.

Just how significant are the tax savings? The chart below may give you an idea.

## THE BENEFITS OF TAX-FREE GROWTH IN A TFSA

Projection based on investments of \$5,000 per year\* at 5%\*\*

\*\*5% rate of return for illustrative purposes only. As with any investment product, returns are not guaranteed. Maximum contribution limit for TFSA in this example is not indexed to inflation rate.



\*Applies to investments made at the beginning of the calendar year

\*\*\*Earnings taxed annually at 30%

# Key facts about the TFSA

## What is the TFSA?

The TFSA is a savings plan, registered with the Canada Revenue Agency, that can be opened by anyone 18 or older\* who has a social insurance number. You can contribute up to \$5,000 a year and all earnings that may accumulate within the plan are tax-free. So are withdrawals. Unused contribution room is carried forward indefinitely. You can make withdrawals for any purpose, and the amounts withdrawn, including both the original contribution and any earnings, can be re-contributed the following year or later.

\*Please note that for some provinces and the territories, you must be age 19, the age of majority, to open a BMO InvestorLine or BMO Nesbitt Burns account.

## How can I use it?

There are no restrictions on how you use your funds once they're withdrawn. You can use your TFSA to save for short-term goals, like a vacation, or long-term goals, like retirement, or to fund education.

I am...	Using my TFSA to...
<b>A young investor, just starting out</b>	<ul style="list-style-type: none"><li>• buy a car</li><li>• help pay for my education</li><li>• save for a down payment on a home</li></ul>
<b>In my peak earning years</b>	<ul style="list-style-type: none"><li>• save in addition to my RRSP</li><li>• save for my children's education</li><li>• set aside money for personal goals — perhaps a vacation or home renovations</li></ul>
<b>Retired</b>	<ul style="list-style-type: none"><li>• re-invest my required Registered Retirement Income Fund (RRIF) withdrawals</li><li>• make withdrawals that aren't included in my income for tax purposes</li></ul>

The table below gives some examples of how you might use your TFSA.

## What kind of investments can I hold in my TFSA?

The same kind of investments that qualify for Registered Retirement Savings Plans (RRSPs) can be held in a TFSA. These include cash, GICs, mutual funds, stocks and bonds.

## How does a TFSA fit in with the rest of my financial plan?

The TFSA is as important to your financial plan as your RRSP. Assuming the annual maximum contribution amount remains \$5,000 per year, this means that if you were to contribute the maximum amount allowed for 10 years, you could have \$50,000, plus any additional investment earnings available to you tax-free in your TFSA. If in any year you don't reach your maximum contribution limit, any unused contribution room is carried forward indefinitely. This is quite a substantial amount, illustrating how the TFSA can be an important element of your overall financial plan.

### Because...

- Earnings are tax-free, so savings grow faster.
- Withdrawals can be made whenever needed without tax consequences and be re-contributed in a later year.
- If RRSP contributions have been maximized, the TFSA provides another way to earn returns that aren't taxed.
- The TFSA is useful for both short-term and long-term savings goals.
- TFSA withdrawals can be used for any purpose; there are no restrictions on how the money is used.
- All potential returns are tax-free.
- RRIF holders are required to withdraw a minimum amount from their plan every year; any excess not needed for living expenses can be invested in a TFSA for all earnings to continue to be tax-free.
- TFSA withdrawals don't affect eligibility for income-tested benefits like Old Age Security and the GST credit.

**For more detailed information on the TFSA and how it can help you reach your financial goals, drop into your nearest branch, go online or speak to your BMO investment professional.**

**Visit [bmo.com/tfsa](http://bmo.com/tfsa) for more information.**

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