

## Canadians Can Look to TFSA as New Option for Tax-Refunds

This is the time of year when many Canadians are anxiously awaiting the arrival of their annual tax-refund. To add to the excitement this year, there is a new option for what to do with your tax-refund: the Tax-Free Savings Account (TFSA). With the average Canadian tax-refund estimated at more than \$1,400<sup>i</sup>, by putting their money into a TFSA, Canadians can take advantage of what has been called the single most important savings vehicle since the introduction of the RRSP in the 1950's.

The benefits of using a TFSA include the ability to keep any investment growth tax-free and, unlike an RRSP, to withdraw funds at any time. As well, with a TFSA, investors can choose from a wide variety of products including high-interest savings accounts, mutual funds, publicly traded securities, GICs and bonds.

“This year, Canadians are able to make even more out of their tax-refund by allowing it to grow tax-free in a TFSA,” said Tina Di Vito, Director, Retirement Strategies, BMO Financial Group. “No matter how big or small your refund, the TFSA provides you with a powerful tool to save money without paying any tax on investment earnings or withdrawals. As well, TFSAs are an attractive option for just about every Canadian and are a particularly interesting option for retirees and pre-retirees who are looking for another way to supplement retirement income.”

Canadians can save a substantial amount of money using a TFSA, compared to a standard account in which any investment earnings are taxable. Assuming an annual contribution of a tax-refund worth \$1,400 into a TFSA, as opposed to the same contribution in a taxable account over 20 years<sup>ii</sup>, with a 4% rate of return, Canadians can save nearly \$4,200; with a 6% rate of return, almost \$7,900.

BMO offers a simple [online calculator](#) to help people make sense of the benefits you can receive from using a Tax-Free Savings account.

“While the maximum contribution you can make into a TFSA is \$5,000 per year, the account requires no minimum contribution and can be opened with any amount of money,” added Di Vito. “Using your tax-refund for a TFSA is a great way to get started or to top-up an existing TFSA account in order to maximize your contribution.”

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<sup>i</sup> Canada Revenue Agency 2008

<sup>ii</sup> Based on an annual income between \$10,000-\$39,999 and at an income tax rate of 22.5%

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