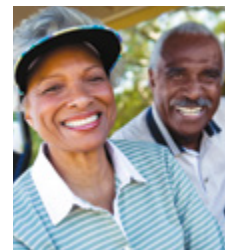


OUTLOOK

January 2017, Volume 12, Issue 1



Avoid surprises!

Make sure you know what the annual TFSA¹ contribution limit is and how much unused contribution room you have²

What is the annual TFSA contribution limit?

The annual TFSA contribution limit is the same for everyone. Since the program's creation in 2009, the limit is set each year by the federal government and takes effect on January 1. Unused room can be carried forward from year to year.³

COTISATION YEAR	ANNUAL CONTRIBUTION LIMIT	CONTRIBUTION ROOM (if the annual contribution limit is not reached)
2009 ⁴	\$5,000	\$5,000
2010	\$5,000	\$10,000
2011	\$5,000	\$15,000
2012	\$5,000	\$20,000
2013	\$5,500	\$25,500
2014	\$5,500	\$31,000
2015	\$10,000	\$41,000
2016	\$5,500	\$46,500
2017	\$5,500	\$52,000

"I opted to invest in a TFSA because my returns are tax sheltered and I can make tax-free withdrawals whenever I want!"

"I keep records of all the transactions in my TFSA so I can take advantage of the benefits without exceeding my unused contribution room!"

¹ Tax Free Savings Account.

² Amount you can invest in your TFSA.

³ A contributor must be 18 years of age or older to carry forward unused contribution room.

⁴ Program inception year.



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What this means for John

John has been contributing to his TFSA since 2009. After making a withdrawal in 2014 to buy a car, he wants to know what's the maximum he can invest in his TFSA in 2017. In 2014, he contributed **\$25,000** to his TFSA, as his contribution room was **\$31,000**. So, he was left with **\$6,000** of unused contribution room. He withdrew **\$17,000** from his TFSA to buy his car.

CONTRIBUTION YEAR	CONTRIBUTION ROOM (annual contribution limit carried forward since 2009)	AMOUNT INVESTED	UNUSED CONTRIBUTION ROOM (\$31,000 - \$25,000)	WITHDRAWALS
2014	\$31,000	\$25,000	\$6,000	\$17,000

Unlike RRSPs,⁵ withdrawals from TFSAs create new contribution room for the following year. So, in 2015, John was able to add the \$17,000 he withdrew the year before to his unused contribution room. His available contribution room now consists of his **unused contribution room**, his **new annual contribution limit** and the **\$17,000 he withdrew** to buy his car. Given that he hasn't made a contribution or a withdrawal since 2014, John's available contribution room will total \$44,000 in 2017.

YEAR	JOHN'S UNUSED CONTRIBUTION ROOM	NEW ANNUAL CONTRIBUTION LIMIT (set by the federal government)	JOHN'S WITHDRAWAL (that can be reinvested)	JOHN'S AVAILABLE CONTRIBUTION ROOM
2015	\$6,000	\$10,000	\$17,000	\$33,000
2016	–	\$5,500	–	\$38,500
2017	–	\$5,500	–	\$44,000

TFSA tips to keep in mind

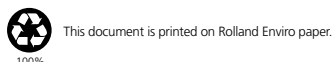
- TFSA contributions are not income tax deductible
- Withdrawals (capital and investment income included) are not taxable
- TFSA withdrawals (capital and investment income) create new contribution room for the following year
- A penalty of 1% per month applies on excess contributions
- TFSAs are ideal for medium and long term projects
- It's a flexible program — as long as you keep careful track of your contribution room

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⁵ Registered Retirement Savings Plan.

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