**TFSAs: Leveraging the Benefits**

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The Tax-Free Savings Account (TFSA) was introduced in 2009 to offer Canadians an incentive to save over their lifetimes. TFSAs provide tax-free growth, flexible investment options, and easy set-up and withdrawals, making this registered account a powerful tool for financial well-being. Below are some key features.

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1. **Save for anything**

   TFSAs can be used to save for anything, like purchasing a car or home, paying for education, travel, emergency funds and long-term financial goals.

2. **Control, flexibility and diversification**

   TFSAs offer an excellent diversification tool for savvy investors and a solid foundation for those just starting to save. These accounts can hold a mix of savings and investments, including mutual funds, securities, and bonds, GICs and cash. This flexibility lets you customize your portfolio to suit your risk tolerance and goals.

3. **Easy access**

   Where other registered accounts such as RRSPs (Registered Retirement Savings Plans) have taxes, fees, and conditions when you make withdrawals, the money in your TFSA is yours to access - tax-free - whenever you need it.

4. **Sheltered gains**

   TFSAs gains can compound with time, so when you allow savings to accumulate, your investment grows faster than it would within a non-registered savings account. Additionally, because you don't pay taxes on this growth, all that money can continue to compound each year.

   It’s important to note there are some scenarios in which you will pay taxes on a TFSA, including over-contribution and investing while not living in Canada [1].

5. **How do I open a TFSA?**

   As long as you're a resident of Canada who is 18 or older with a valid social insurance number,


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you can open a TFSA provided you've reached the age of majority in your province. You can open a TFSA account with almost every large financial institution and you can hold TFSAs with multiple financial institutions at the same time. However, your TFSA contributions to all your various TFSA's can't exceed your established contribution limit (see below). There's usually no minimum to get started, and you can make deposits whenever you'd like, whether annually, per paycheque, from bonuses, tax returns, etc.

6. **How much can I contribute?**

Three factors determine how much you can contribute to a TFSA each year. The first is the annual maximum determined by CRA, which is $6500 in 2023. The second factor is any unused TFSA contribution room you have from previous years. This can start as far back as 2009, when TFSAs were introduced, or the year you turned 18. The third factor determining maximum contribution is withdrawals made from a TFSA in the previous year. For example, if you withdrew $500 from your TFSA last year, your contribution room in 2023 would be $6500 + $500 + any unused contribution from previous years, as explained above.

## Make TFSAs work for you

Whether you're just learning about TFSAs or ready to take investing to the next level, the key is to start now. A qualified financial advisor understands the nuances and benefits of using TFSAs as part of an overall financial strategy and have the expertise to make them work effectively for your goals.

**Contact our office today if you have questions** [2] about TFSAs.

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