Viewpoint focus

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Fidelity INVESTMENTS

Tax-Free Savings Accounts

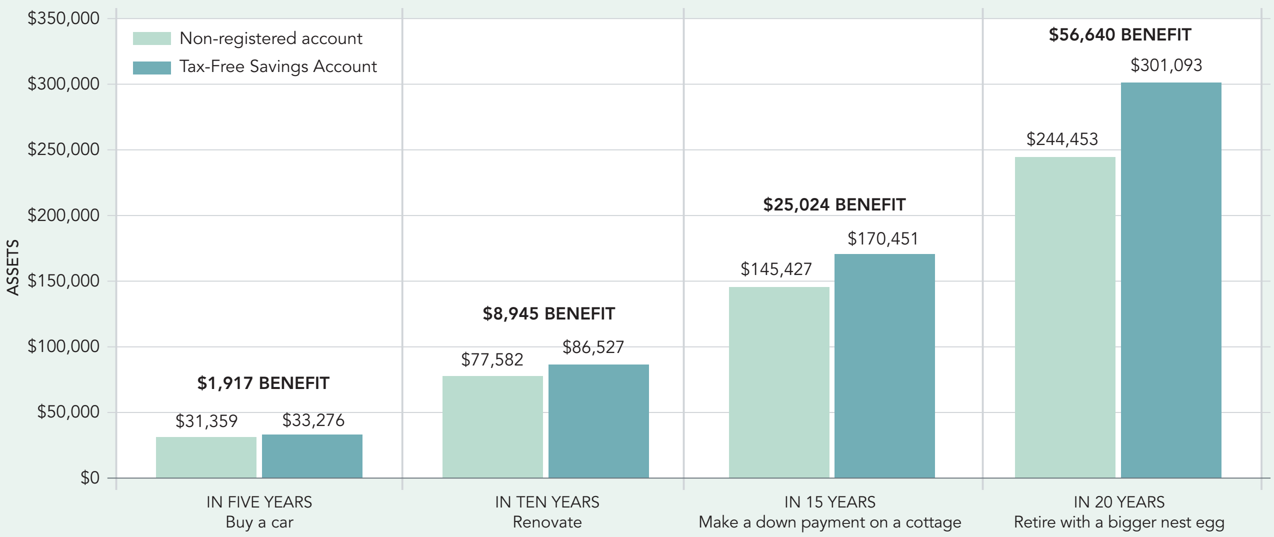
Building savings flexibility for all Canadians

- Tax-Free Savings Accounts (TFSAs), available as of January 2009, are destined to become **one of Canada's most important savings and investment vehicles**.
- Because TFSAs offer **significant flexibility and tax-saving benefits** (see Exhibit 1), the market for this type of account is expected to grow rapidly in the coming years. The available contribution room for the 26 million eligible Canadians over age 18 at the beginning of 2009 is about $130 billion.
- TFSAs are **a business-building opportunity for financial advisors**. Although initially accounts will be small in size, over time the value of TFSAs will grow to represent a substantial proportion of the Canadian wealth market.
- Creating **detailed plans for taking advantage of the TFSA** opportunity is another way that advisors can provide extra value to clients. This paper provides analysis on how TFSAs can be applied to a variety of goals, how they can be combined with other savings vehicles, and the best asset allocations for given timeframes. It also includes insights from Fidelity's international experience with similar savings programs.

Exhibit 1

A flexible new account for a myriad of savings needs

The tax savings benefits of investing in a TFSA, rather than a non-registered account, for some of life's most common investment goals



Source: Fidelity Investments Canada ULC. Assumptions: Rate of return of 8.5%, combined federal and provincial marginal tax rate of 45%, reinvested distributions and distribution yield of 4.25%. The distributions were composed of 20% interest, 14% dividend and 66% capital gain. Annual contributions were $5,000 and contributions increased in $500 increments based on a 2% inflation rate. Contributions were made at the beginning of the period. Unrealized capital gains were taxed at the end of the holding period.

A significant new opportunity for investors and advisors

With the introduction of Tax-Free Savings Accounts in January 2009, investors have access to a new savings vehicle that presents significant opportunities for tax savings and income splitting, while also building investment assets that can be used either for short-term savings goals or for longer-term objectives such as retirement. We believe these accounts afford advisors a significant opportunity to help investors increase the flexibility of their savings while enhancing investment returns. This paper reviews the basics of TFSAs and then demonstrates how TFSAs can be integrated into investors' overall financial plans and coordinated with other savings vehicles. It also sets these accounts in an international context.

The basics of Tax-Free Savings Accounts

One of the simplest ways to explain TFSAs to investors is to compare them with RRSPs. The chart below lays out the key similarities and differences.

Exhibit 2

TFSA VS. RRSP

	SIMILARITIES	DIFFERENCES
CONTRIBUTIONS	■ Similar investments are eligible. ■ Both have contribution limits. ■ Both allow unused contribution room to be carried forward. ■ Both plans allow spousal contributions.	■ The calculation of the RRSP contribution limit is based on earnings, while the TFSA contribution limit is a flat amount (initially $5,000, indexed to inflation). ■ The size of a TFSA contribution is not affected by an individual's income. ■ The TFSA allows amounts withdrawn to be added to future contribution room. RRSP withdrawals do not increase future contribution room.
WITHDRAWALS	■ Withdrawals can be made at any time.	■ No minimum withdrawal requirements from a TFSA. ■ No age at which withdrawals must be made from a TFSA. ■ RRSPs must be matured at age 71. ■ RRIFs are subject to minimum withdrawal amounts.
TAX TREATMENT	■ Both plans enjoy the benefits of tax-free growth while the assets remain in the plan.	■ Investors will not receive an income tax deduction on their contributions in a TFSA. ■ Withdrawals from a TFSA are not considered taxable income and will not affect income-tested government benefits and credits. Withdrawals from an RRSP are considered taxable income.

Source: Fidelity Investments Canada ULC.

But remember

- If your clients borrow to invest in a TFSA, the interest on the loan will not be tax deductible, because the investment earned in the account will not be taxable.
- If your clients transfer investments from a non-registered account into a TFSA in the same way they might transfer investments into an RRSP, the assets will be considered disposed of at fair market value, which could trigger a taxable capital gain or loss. Triggering a loss can be beneficial; however, advisors should remember that the loss may be denied under the superficial loss rules, and plan appropriately.[1]

The tax-saving benefits of a TFSA

There are a number of ways that TFSAs can help save taxes and enhance income.

- While the annual $5,000 contribution limit doesn't initially allow much potential for investment growth and tax savings, the opportunity can be considerable over time, as Exhibit 3 shows.
- One member of a family can give money to another who can then deposit it in his or her own TFSA, without being subject to the income attribution rules. This allows de facto income splitting and the associated tax savings for a couple or family.
- TFSAs will complement RRSPs by providing investors with more flexibility and options to maximize their retirement savings.
- TFSAs can help investors enhance their income in retirement, because withdrawals are not taxed, and there is no impact on income-tested benefits and tax credits.

Exhibit 3

Contribution room in a TFSA will grow quickly

Potential contributions of a couple over 20 years

Source: Fidelity Investments Canada ULC. Contribution room increases in $500 increments based on a 2% inflation rate The added potential value of tax-deferred growth on the portfolio could add significantly to its total, as shown on the first page.

1 The purpose of the superficial loss rules is to prevent realizing a deductible capital loss without actually disposing of the investment that created the loss. Note that the CRA has stated that these rules do not apply where the investment is repurchased 31 days before or after the disposition that created the loss. Rules regarding capital losses can be complex. A tax advisor should be consulted before engaging in any strategy that takes advantage of these rules.

Fitting a TFSA into an overall financial plan

The inherent flexibility of the TFSA makes it a remarkably versatile savings tool, particularly in combination with a number of other savings plans currently available. Exhibit 4 shows how a TFSA might be coordinated with other vehicles to meet a variety of savings objectives.

Exhibit 4

Combining TFSAs with other savings vehicles

	SAVINGS OBJECTIVE			
ACCOUNT TYPE	GENERAL SAVINGS	HOME PURCHASE	EDUCATION	RETIREMENT
TAX-FREE SAVINGS ACCOUNT (TFSA)	**Primary savings vehicle** ▪ Money can be withdrawn at any time with no penalty.	**Primary savings vehicle** ▪ Money can be withdrawn at any time with no penalty.	**Secondary vehicle** ▪ Contribute to a TFSA to pay for a child's education only after the maximum annual Canada Education Savings Grant (CESG) has been received. ▪ Contribute to a TFSA to pay for your education.	**Primary savings vehicle if…** ▪ Tax rate at the time of contribution is expected to be lower than or equal to the rate when it is withdrawn. ▪ Note that there is no age limit for TFSA assets to be withdrawn.
NON-REGISTERED ACCOUNT	**Secondary vehicle** ▪ Contribute to a non-registered investment account once the TFSA contribution limit is reached.	**Secondary vehicle** ▪ Contribute to a non-registered account after a TFSA and an RRSP to purchase a first home.	**Secondary vehicle** ▪ Contribute to a non-registered account after an RESP and a TFSA to pay for a child's education.	**Secondary vehicle** ▪ Contribute to a non-registered account after full advantage has been taken of an RRSP and a TFSA.
REGISTERED RETIREMENT SAVINGS PLAN (RRSP)	Not intended for this purpose.	**Secondary vehicle** ▪ Contribute to an RRSP and use the Home Buyers Plan to purchase a first home.	**Secondary vehicle** ▪ Contribute to an RRSP and use the Lifelong Learning Plan to pay for your education.	**Primary savings vehicle if…** ▪ Tax rate at the time of contribution is expected to be higher than when it is withdrawn. ▪ Note that an RRSP must be converted to a RRIF or life annuity at age 71.
REGISTERED EDUCATIONAL SAVINGS PLAN (RESP)	Not intended for this purpose.	Not intended for this purpose.	**Primary savings vehicle** ▪ Contribute to an RESP until CESG payments are maximized.	Not intended for this purpose.

Source: Fidelity Investments Canada ULC.

For specific rules and more information about government savings vehicles, please contact the Canada Revenue Agency or visit their website at www.cra.gc.ca

General savings

General savings includes objectives such as setting up a rainy day fund or saving for a trip or a car. To the extent that an investor can take advantage of available TFSA contribution room, this account is clearly preferable to a non-registered account, because of both tax-free growth and straightforward, tax-free withdrawals. RRSPs and RESPs are not designed to deliver this kind of flexibility and are clearly not intended for this purpose.

Saving to purchase a home

Because a TFSA offers tax-free growth and straightforward, tax-free withdrawals, the account makes an excellent savings vehicle to purchase a home, particularly as its contribution room grows with time. In some circumstances, individuals contemplating their first home purchase may find equivalent benefits by withdrawing assets from their RRSP under the Home Buyers Plan (HBP). The government's Home Buyers Plan is more restrictive than a TFSA, however, allowing investors to borrow only up to $20,000 tax free from their RRSP to purchase their first home, an amount they should repay to their RRSP within 15 years.

That said, until the contribution room available in TFSAs grows to more substantial proportions, non-registered accounts will continue to fund the lion's share of home and recreational property purchases in Canada.

Saving for an education

The decision of how best to save for a person's education primarily depends on the current age of the person who will benefit from those savings.

If savings are for a child, opening a Registered Education Savings Plan (RESP) is important in order to take advantage of the government's Canadian Educational Savings Grant (CESG). Once the maximum CESG is received, Canadians are best advised to invest in their own TFSA to enjoy its tax benefits, and then reinvest in their child's RESP the next year to maximize the grant received.

If saving for the education of someone age 18 or older, when eligibility for the CESG expires, a TFSA still has tax advantages over other types of accounts and remains very easily accessible. Additionally, the government's Lifelong Learning Plan (LLP) provides investors with an option similar to the Home Buyers Plan, allowing funds to be borrowed from an RRSP on a tax- and interest-free basis, as long as the funds are repaid to the plan within ten years.

Saving for retirement

Both TFSAs and RRSPs will now play key roles for Canadians saving for retirement. When used correctly, these programs provide optimal solutions, compared with non-registered accounts; however, it is important to understand the benefits and drawbacks of each, as explained in the next section.

TFSA: A lifetime complement to an RRSP for retirement income

When planning for retirement, most Canadians will now face a new, key decision: whether to invest in a TFSA or an RRSP.

This decision is primarily driven by the investor's tax level at the time of contribution and at the time of withdrawal. Simply stated, if an individual's marginal tax rate is higher at the time of contribution than it is likely to be when the funds are withdrawn (or, put another way, if current working income is higher than expected retirement income), then an RRSP is preferable, because it defers tax payment to a time when the tax rate is lower. If the reverse is true, and income in retirement is expected to be higher than at the time of contribution, a TFSA will be the better choice, because all withdrawals from a TFSA are tax-free. If an individual's marginal tax rate is expected to be equal before retirement and in retirement, then the plans should be equally beneficial.

Exhibit 5 shows how this issue could play out in an individual's lifetime by comparing a hypothetical individual's income in the early and late stages of a career with expected income in retirement.

Early career

For most Canadians, income tends to increase over time during the working years, and then decline as the person moves into retirement. In the earlier stage of a person's career, when income is lower, it makes more sense to contribute to a TFSA, as shown in the example.

Mid-career

At this point, the marginal tax rate might be the same as it would be in retirement. So it actually makes no difference which plan is chosen, since each additional dollar is taxed at the same rate. Other circumstances, such as a person's potential need for liquidity, may make one type of plan (in that case a TFSA) more beneficial than another type of plan.

Late career

Peak earnings are reached later in the individual's career and are higher than the expected retirement income. Investing in an RRSP at this point will make more sense, unless the contribution room has been used up. In that case, any surplus savings can be deposited in a TFSA.

But as the individual's situation changes between career and retirement, and even beyond, the decision about whether to invest in an RRSP or a TFSA becomes more complex, requiring careful planning of savings, retirement goals and other anticipated sources of income to maximize the effectiveness of the different programs available. This is one of the areas where an advisor can provide extra value for clients.

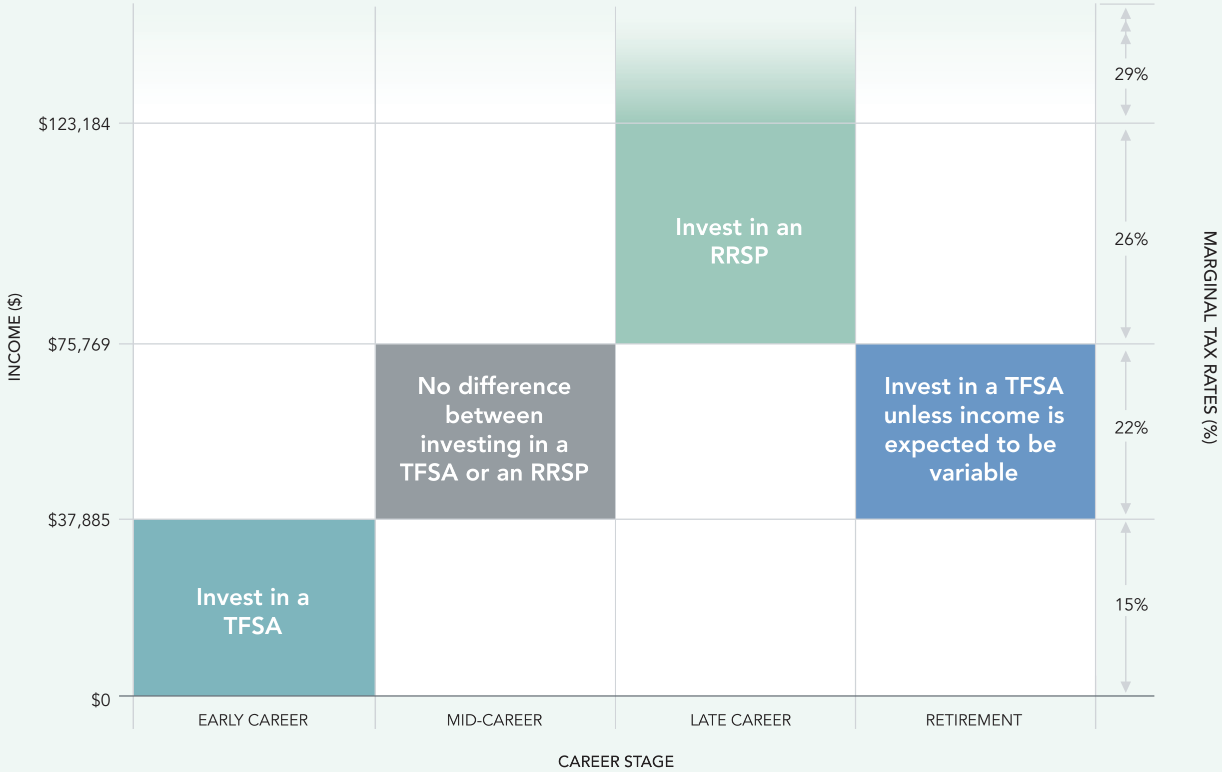
Retirement

In retirement, additional savings should generally be put into a TFSA, if there is room remaining. Since withdrawals from a TFSA are tax free, certain means-tested benefits, such as the Guaranteed Income Supplement and Old Age Security, are not reduced. If, however, income is expected to still be very high in the early years of retirement, and the individual or his or her spouse is under the age of 71, then it may make more sense to contribute to an RRSP (assuming the individual has RRSP contribution room).

Exhibit 5

Using both a TFSA and an RRSP to maximize retirement income

Contribute to a TFSA if your marginal tax rate is lower at the time of contribution than at withdrawal.



Source: Canada Revenue Agency and Fidelity Investments Canada ULC. This exhibit shows an individual's hypothetical lifetime earnings pattern and is for illustrative purposes only. Only 2008 federal tax rates are shown. Provincial and territorial taxes are not included, nor are any eligible tax credits. The inclusion of provincial or territory tax rates will increase the total marginal tax rates and the number of tax rates at each level of income and will vary by region. The inclusion of eligible tax credits will generally reduce the amount of tax payable. Actual results will vary according to income.

Once investors reach 71, they are required to roll any RRSP savings into a Registered Retirement Income Fund (RRIF) and withdraw a minimum amount. If not all of this minimum is required, it can be a good strategy to put the excess into a TFSA.

Not everyone's pattern of earnings will follow this example, of course, but the principles still hold. For example, some may start with a higher level of income in their early career, indicating they would be better off in an RRSP, and see their income tailing off later in their career, when they should invest in a TFSA.

For those approaching retirement, estimating future retirement income levels will be a relatively straightforward exercise. But for younger people, estimating a retirement income level many years off is more difficult. Ultimately, contributing to both a TFSA and RRSP might help to hedge the future tax liabilities and prove a useful middle ground.

Choosing the right investment mix in a TFSA

To maximize the benefits of a TFSA, it is important to select the right combination of investments. Exhibit 6 provides a hypothetical model of how different portfolios might perform over different time periods. Depending on an investor's goals, time horizon and risk tolerance, advisors can design an investment mix that is more likely to achieve the investor's savings objectives. The blue-shaded boxes represent general portfolios that an advisor may want to consider for each time frame.

The exhibit shows how a range of asset mixes, from a highly conservative 100% cash/money market portfolio to a more aggressive 70% equity portfolio, have performed over a range of time horizons (one, five, ten and 20 years). Using actual market returns from January 1954 through October 2008, the exhibit measures more than 50 years of historical market conditions and shows both the median and worst outcome for each portfolio over the selected time horizon.

Assuming the overall investment objective is to maximize the value of savings while minimizing the risk of a loss, this chart provides the advisor with a useful framework for choosing an appropriate asset mix for an investor.

Short-term objectives

Over a one-year time horizon, the only asset mix that has never sustained a loss is the 100% cash/money market fund portfolio. Furthermore, while it is true that other portfolios with more equity exposure have typically (at the median) provided greater returns over a one-year period, they have also, on occasion, experienced short-term losses that could put an investor at risk of not meeting a short-term savings objective. So it may be preferable to invest in a highly conservative product, such as a money market mutual fund, to meet a short-term savings goal. A TFSA can be ideal for this, as growth and distribution of interest income, typically taxed at the highest marginal rate, is tax free.

Medium-term objectives

If an investor is planning for an intermediate time horizon, say five or ten years, the exhibit makes it clear that a 100% cash strategy, although safe, will likely forgo some of the substantial growth potential that a portfolio with some equity exposure might deliver. This may prevent the assets in the portfolio from keeping pace with inflation and maintaining their purchasing power. A 30% or 50% equity portfolio may be more appropriate.

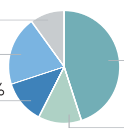
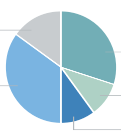
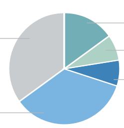
Long-term objectives

For long-term savings, more substantial equity exposure is generally considered the best option. Exhibit 6 bears this out. A 70% equity portfolio would have delivered superior results over each of the other mixes over a 20-year time horizon, both on a median basis and for the worst periods. Of course, as time passes and the planned end date of the objective draws nearer, the portfolio may be rebalanced, shifting out of equities to provide greater security against loss of capital. A lifecycle fund, for example, could be used to accomplish this goal.

In order to fit all of these different objectives into a cohesive financial plan, advisors should set up separate TFSA accounts to handle each objective. At the same time, advisors should monitor investors' TFSA balances, since over-contributions are subject to a 1% tax per month on the excess. This monitoring is another simple way advisors can provide value to investors. Clients can also consider consolidating their assets with their advisor to minimize the risk of over-contribution.

Exhibit 6

Tailoring a TFSA's asset mix to an investor's savings time horizon

			TIME HORIZON (YEARS)			
	ASSET MIX	RETURNS	1	5	10	20
70% EQUITY		Median %	11.3%	9.4%	9.6%	10.5%
		Worst %	-25.6%	0.1%	3.4%	6.4%
50% EQUITY		Median %	10.2%	8.7%	8.8%	10.4%
		Worst %	-20.3%	1.7%	3.5%	5.7%
30% EQUITY		Median %	8.8%	7.3%	8.3%	9.8%
		Worst %	-12.6%	3.0%	3.9%	5.1%
100% CASH		Median %	5.1%	5.5%	6.4%	8.1%
		Worst %	1.2%	2.4%	3.1%	4.0%

- Canadian Equity
- U.S. Equity
- International Equity
- Canadian Bonds
- Cash

Source: Fidelity Investments Canada ULC. All hypothetical performance figures are in Canadian dollars. The performance of each model portfolio was calculated using its respective asset class weights from January 1956 to October 2008. The asset classes are represented by the S&P/TSX composite index (Canadian equity) from Ibbotson Associates Inc. from 1956 forward and the TSE 300 Total Return Index from Global Financial Data prior to 1956, the MSCI EAFE Index (international equity) from Ibbotson Associates Inc. starting 1970 and a synthetic EAFE that was constructed from individual EAFE country total returns from Global Financial Data, weighted by historical gross domestic product for each country, prior to 1970, the S&P 500 CDN$ (U.S. equity) total return index from Ibbotson starting in 1960 and from Global Financial Data prior to 1960, the SC Universe Long Bond to 1980 and the DEX Universe Bond beginning January 1980 (Canadian bonds), and the DEX 91-Day T-bill (cash) from Ibbotson from 1956. This hypothetical chart is not intended to predict or project the performance of any investment. Past performance is no guarantee of future results. Your own results may vary. It is not possible to invest directly in an index.

How does the TFSA compare with its international counterparts?

On January 1, 2009, there will be some $130 billion in available TFSA contribution room: $5,000 for each of the roughly 26 million Canadians age 18 and over today.[2] While certainly not all Canadians will take full advantage of this tax shelter in the first year, it is not difficult to foresee the impact these accounts will have on the financial services industry.

The U.S. and the U.K have already introduced savings vehicles similar to the TFSA. Fidelity has a decade of experience with each of these programs, providing some useful perspectives.

Both programs offer tax-free savings potential on after-tax contributions, and both have been widely recognized in their respective countries as important components of an investor's overall savings plan. Comparisons with these programs and an examination of how investors have adopted them provide useful perspectives you can use in your own practice. Exhibit 7 below highlights similarities and differences among the three vehicles.

Exhibit 7

Three savings vehicles compared

	U.S.	U.K.	CANADA
VEHICLE NAME	Roth Individual Retirement Account (Roth IRA)	Individual Savings Account (ISA)	Tax-Free Savings Account (TFSA)
INCEPTION	1998	1999	2009
ANNUAL CONTRIBUTION ROOM	US$5,000 ≥ 49 years old US$6,000 ≤ 50 years old	Cash ISA: £3,600 Stocks and shares ISA: £7,200	CDN$5,000
PRIMARY PURPOSE	Retirement	Multi-purpose	Multi-purpose
ASSETS	US$225 billion	£220 billion	n/a

Source: Canada Revenue Agency, HM Revenue & Customs, U.S. Internal Revenue Service and Investment Company Institute. Personal Equity Plans (PEPs) pre-date ISAs and were introduced in 1986. In April 2008, all existing PEPs were converted to stocks and shares ISAs. The maximum contributions allowed are £3,600 for a cash ISA and £7,200 for both a stocks and shares ISA and for the ISA as a whole.

2 In British Columbia, Newfoundland and Labrador, Nova Scotia or New Brunswick, accounts may not be opened until age 19 (which is the age of majority in those provinces). However, contribution room will still begin accumulating at age 18.

An increasingly popular savings instrument

Since their introduction in 1998, Roth Individual Retirement Accounts (IRAs) have experienced robust growth. By the end of 2007, they had been adopted by about 15% of U.S. households and accounted for an estimated US$225 billion in assets. They are estimated to be growing faster than their traditional IRA (RRSP-equivalent) counterpart.[3]

Individual Savings Accounts (ISAs) have attracted approximately 18 million U.K. account holders, or about a third of U.K. adults.[4] By 2008, ISAs had gathered cumulative assets of over £220 billion, representing an integral part of the savings landscape in Britain.[5]

Simplicity is key

Despite the relatively widespread use of ISAs, British investors were, and some continue to be, somewhat wary of them. Initially, ISAs were considered difficult to understand. In response, the government has worked to simplify them, and there is a push for more public education about the accounts to encourage their adoption.

By comparison, the TFSA will come to market with a much simpler, more straightforward framework. This may well result in a faster initial adoption rate for TFSAs than for ISAs in the U.K.

Savings vehicles for all ages and incomes

Some may believe that because of the initially low contribution limit, only low- and middle-income earners will be interested in TFSAs. However, in the U.S., households owning Roth IRAs tend to be younger and have higher incomes than those owning traditional IRAs.[6] In addition, Roth IRA owners tend to make more and larger contributions to their accounts than traditional IRA holders.[7] (Unlike RRSPs and TFSAs, IRAs have a single contribution limit that applies cumulatively to both Roth and traditional IRAs.)

In the U.K., ISAs are held by a wide range of investors across the income spectrum. Seniors, however, tend to hold more substantial assets in their accounts.[8]

What we can learn from the international experience

Evidence from the U.K. and U.S. suggests it will be important to actively promote the accessibility and flexibility of TFSAs. These characteristics should appeal to investors of all ages, particularly younger savers, who may have little experience with investing and, as yet, smaller amounts to contribute. The simplicity of the TFSA should also make it easy to cross-sell other products. In order to appeal to individual investors, advisors will need to have a clear idea of how the TFSA can be used (for short-term goals such as house deposits, or for longer-term goals such as retirement planning) and how to coordinate it with other savings vehicles in a client's account.

3 Investment Company Institute, The U.S. Retirement Market, 2007, July 2008.

4 HM Revenue & Customs, Table 9.4. http://www.hmrc.gov.uk

5 HM Revenue & Customs, Table 9.6. http://www.hmrc.gov.uk

6 Investment Company Institute, 2008 ICI fact book, 2008.

7 Investment Company Institute, The U.S. Retirement Market, 2007, July 2008.

8 HM Revenue & Customs, Table 9.11. http://www.hmrc.gov.uk

Conclusion

Over the next several years, the new Tax-Free Savings Account will become a significant part of Canadians' savings plans, presenting a major opportunity for advisors. The account provides investors with much-needed financial flexibility, because of the wide range of investments that are eligible and its suitability for both short- and longer-term objectives.

TFSAs provide different tax benefits than other savings plans and thus provide new ways to save and to access those savings. They can be used to meet a variety of savings objectives, providing the asset mix is appropriate for the client's objectives. To get the maximum benefit, they should also be integrated into a client's overall financial plan. An advisor who has a thorough understanding of TFSAs and how they can complement an RESP or RRSP will enhance his or her value to a client.

Quick TFSA tips

EVERYDAY USE	
Chequing or savings?	Chequing accounts usually don't pay much, if any, interest, and so are not suitable for a TFSA. Instead, move a high-interest savings account to a TFSA. Take any account fees into consideration when helping with this decision.
Multiple TFSAs	Multiple TFSA accounts can help investors organize and clarify their savings priorities (but make sure they don't over-contribute).
LONG-TERM INVESTORS	
Equities or fixed income?	Over the long term, it may be best to invest TFSA savings in equities rather than fixed-income assets. Capital gains are taxed at a lower rate, but have greater potential for growth than interest-bearing securities
Transferring assets to a TFSA	Triggering a capital loss and transferring proceeds to a TFSA can yield significant tax benefits, but if your clients intend to repurchase the same security in a TFSA, be aware that the loss could be denied under superficial loss rules.
RETIREMENT PLANNING	
RRSP or TFSA?	If an investor is concerned about the need for liquidity in the short term, you may want to think about putting part or all of the contribution into a TFSA.
RRIF or TFSA?	Transfer excess RRIF payments to a TFSA. Although taxes will still have to be paid on the full RRIF withdrawal in that tax year, future growth in the TFSA will be tax free.
TFSAs and government benefits	Income from the sale of assets in a TFSA is non-taxable and will not affect certain income-tested benefits, such as Old Age Security.
Pension income splitting	A TFSA is a good place to invest any tax refunds from pension income splitting.
OVER-CONTRIBUTIONS	
TFSA penalties	Excess contributions will be subject to a tax of 1% per month for each month the excess remains in the plan.
NON-RESIDENTS	
Penalties and contribution room	Contributions made while the individual is a non-resident will be subject to a tax of 1% per month of the contribution. Also, no new contribution room would accrue for any year during which the holder is a non-resident.
ESTATES	
TFSAs and succession	Have investors name their spouse or common-law partner as a successor holder of the plan. Upon the passing of the plan holder, the TFSA will then maintain its tax-exempt status.

Source: Fidelity Investments Canada ULC and Canada Revenue Agency (CRA). All legislative information contained in this report is subject to change.
For more information about the most up-to-date rules and regulations, please visit or contact the CRA at www.cra.gc.ca

Notes

For investment professional use only. Read a fund's prospectus before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions and may experience a gain or a loss.

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