

TFSA CONTRIBUTION LIMIT INCREASED TO \$5,500

Staff / November 26, 2012

Canadians will be able to save more in their TFSAs starting in 2013, says the Honourable Ted Menzies, Minister of State (Finance), and the Honourable Gail Shea, Minister of National Revenue.

The government has announced its raising the annual contribution limit to \$5,500.

“Our Government remains committed to our low-tax plan for jobs and growth,” says Minister Menzies. “TFSAs have become an exceedingly valuable savings tool for so many Canadians.”

Since the Harper Government made TFSAs available in 2009, Canadians have been able to earn tax-free investment income on contributions of up to \$5,000 per year.

Ever since, TFSAs have become increasingly popular, with approximately 8.2 million Canadians having opened an account. Also, roughly 2.5 million Canadians contributed the maximum amount in 2011.

Key features of the TFSA include:

- A TFSA is available to all Canadians, 18 years and older;
- Any interest, dividends and capital gains earned in a TFSA are not subject to tax;
- A TFSA allows you to invest in a number of types of investments, be it a high-interest savings account, mutual funds, guaranteed investment certificates, listed securities, or other types of qualified investment products;
- Unused TFSA contribution room is carried forward and accumulates for future years;
- Funds available in your TFSA can be withdrawn tax-free at any time for any purpose. You can re-contribute withdrawn amounts in the same year only if you have unused TFSA contribution room. Otherwise, you have to wait until the following year;
- Income earned in a TFSA and withdrawals do not affect your eligibility for federal income-tested benefits and credits; and
- Contributions to a spouse's or common-law partner's TFSA are allowed.

When the TFSA was introduced, the Harper Government announced the \$5,000 annual contribution limit would be indexed to inflation in \$500 increments. 2013 will be the year in which the first \$500 increment takes effect.

“We encourage all Canadians to take advantage of TFSAs as a valuable way to save for the future and to save on their taxes,” said Minister Menzies.

Originally published on Advisor.ca