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# TFSAs vs Non-Registered Savings Accounts

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**Wondering what the benefits of a Tax-Free Savings Account (TFSA) over a non-registered savings account are? While non-registered accounts have fewer rules attached to them, they don't share the same benefits.**

## TAX-FREE SAVINGS ACCOUNT (TFSAs)

Applicable since 2009, TFSAs are registered by the Canada Revenue Agency and allow you to currently put up to $6,000 annually into your TFSA. It functions similarly to an RRSP, in that amounts are not taxed while in the plan, however, you are not penalized for taking your money out. Money in a TFSA is considered after tax money and is not taxed again when you dip into your account. An important point to remember is that you don't get a deduction in computing your income for contributions you make to the plan and if you withdraw an amount, that amount will not be added to your contribution room until the following year. Any income earned on your balance is not taxed, but if you contribute more than your allowable contribution room you will be subject to a 1% per month penalty tax. A final aspect to remember is that you can only hold qualified investments in a TFSA.

Let's say you have been putting the annual limit into your TFSA for 30-50 years and have saved and been paid compounded interest, and realized capital gains on a substantial amount of money invested. You can now remove that money without fear of income tax. On the otherhand, if you realized losses in your TFSA, such losses are not tax deductible.

You must be at least 18 years old, a resident of Canada and have a Canadian Social Insurance Number (SIN) to open a TFSA. A non-resident of Canada with a valid Canadian SIN can have a TFSA, however, any contributions made while a non-resident will be subject to a 1% tax for each month the contribution remains in the account. In addition, as a non-resident you do not accrue contribution room.

## NON-REGISTERED SAVINGS ACCOUNTS

Non-registered accounts are taxable investment accounts that are not registered with the Canada Revenue Agency. Income is taxable in such accounts in the year earned or realized if there are capital gains, dividends, or interest income. Unlike TFSAs, interest on funds borrowed and fees charged to invest in the investment account are generally tax deductible and there are no similar restrictions on the type of investment held within a non-registered account.

**For information specific to your situation, contact your SLF adviser for the details.**



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