

New Tax Free Savings Account (TFSA)

Finance Minister Jim Flaherty released the federal budget the last week of February.

We feel that the most noteworthy highlight impacting individuals is the creation of a new Tax

Interest, dividends, withdrawals, and capital gains generated inside the account will be sheltered from tax.

Free Savings Account for each individual. \$5,000 can be contributed to the account each year, and this amount will be indexed to inflation in increments of \$500. Contributions to the account will NOT be tax deductible, but interest, dividends, withdrawals, and capital gains generated inside the account will be sheltered from tax. Contributions withdrawn from the account will be added

back to your available contribution room. Any unused contribution room is carried forward.

Employers may consider introducing a “Group TFSA” as an extension of their existing savings programs. Payroll deductions can be added at little additional cost to your company to facilitate the availability of a tax-effective general purpose savings vehicle for non-retirement needs.

However, the TFSA is not designed to facilitate retirement savings in the most tax-effective way, and although this account may be useful for higher income earners, most employees will benefit more from RRSP contributions.

As with any employer sponsored plan, knowledge is key to employee appreciation. K+A’s award winning communications practice can assist you with a communications strategy to ensure employees understand the value of your benefits and compensation plans.

If you have any questions about the TFSA, please do not hesitate to contact us.