



Family Finance

Tax-Free Savings Accounts are growing more valuable by the day

If you haven't already done so, you can now put up to \$10,000 into your Tax-Free Savings Account, and starting next year you'll be able to add another \$5,000. That's because, starting with each calendar year after 2008, you build up \$5,000 of contribution room per year. If you didn't contribute in 2009, you have that year's \$5,000 of room plus the \$5,000 of room for 2010. This makes TFSAs an increasingly important investment tool.

But as contribution room continues to add up, it raises an interesting question. What do you hold in your TFSA? Many people, according an Ipsos Reid report, have taken an ultra-conservative approach and are using TFSAs to hold GICs and other fixed term deposits.

But if your bank is paying you 1% annually on your GIC, it would take 70 years to double your money – at 2% it would take 35 years to double up. Even worse, with inflation factored in, consumers may actually be losing money on bank deposits.

TFSAs can hold many other investments that are potentially more rewarding. You should talk to your financial advisor about alternatives. "If time is on your side and the goal is to save long term, savings accounts and deposits might not be the most suitable investments for your TFSA," says Wilmot George, Director, Tax and Estate Planning with Mackenzie Financial. "While these limit downside risk, the potential for strong tax-free growth is also limi"

Here are four reasons to consider investing in a TFSA:

- ✓ Any investment return (capital gains, interest and dividends) earned in a TFSA is never taxed, not even when withdrawn.
- ✓ TFSA money can be used for any purpose you wish – from down payments on a home to vacations or financing your child's college education.
- ✓ Unused contribution room can be carried forward to future years. And any amount withdrawn from a TFSA can be re-contributed in a future year without requiring new contribution room.
- ✓ Making a TFSA withdrawal won't affect your eligibility for the federal tax credits or income-tested benefits, such as the Canada Child Tax Benefit, Old Age Security or the

Guaranteed Income Supplement.

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