

Tax-Free Savings Account Revised 2019 Limit

A Tax-Free Savings Account (TFSA) is a plan that allows eligible Canadians the opportunity to save for the future. Savings in the plan grow tax-free and monies withdrawn are not added to your taxable income for the year.

For retirees this can be particularly advantageous, as income withdrawn from a TFSA does not affect income tested benefits, such as Old Age Security and Guaranteed Income Supplement.

There are many uses for a TFSA, including accumulation of emergency funds, saving for a large purchase, vacation, or education funding, or, for your retirement. We encourage you to consider the use of a TFSA in your overall financial plan.

Increase to the 2019 TFSA contribution limit

Late last year, Canada Revenue Agency announced that effective January 1, 2019, the 2019 TFSA contribution limit would be increased from \$5,500 to \$6,000 and indexed to inflation thereafter. It is important to stay current with the rules of the plan so that you can maximize its many advantages.

What does this change mean to you?

With the increased TFSA limit, you will have an opportunity to save more in your TFSA. Specifically, this means:

- if you have not contributed to a TFSA previously, you would have a cumulative maximum of \$63,500 contribution room for 2019; or
- if you have already made the cumulative maximum contribution amount of \$57,500 as of the end of 2018, you would only be allowed to contribute \$6,000 in 2019 and future years.

The impact of over-contributions

As always, Canadians need to ensure the amount of their TFSA contributions does not exceed their allowed maximum. The penalty for an over-contribution is 1% per month on the amount contributed in excess of the limit.

If you have any questions about this change, or about the role of a TFSA in your overall financial plan, we encourage you to speak to your financial advisor or contact Reuter Benefits by phone at 1-800-666-0142 or email retire@myretirement-alliance.com. As well, more information about this recent change is accessible on the Department of Finance website at <http://www.fin.gc.ca/fin-eng.asp>.

