

# Tax Free & No Calories

By Corry Collins CLU CHFC CHS



When Tax Free Savings Accounts (TFSA) came out almost 5 years ago sceptics thought they were just for the rich and famous however they have taken on a life of their own- hopefully as they were intended. In the past if we found something that taste good, than it obviously had to be full of calories. In this case, there is no down side. No Tax, no fat, and no mess.

In financial planning (in Canada) there are a few basic strategies to save on tax says financial planner Corry Collins CLU CHFC Partner of Maritime Wealth Management in Halifax. Approved by Revenue Canada, we can deposit dollars and receive favorable tax treatment in the following areas. 1) Our personal Residence, 2) RRSP's, 3) Pensions 4) RESP 5) Life Insurance, and 6) TFSA's.

Our value of our home grows tax free, money in an RRSP grows tax deferred as does an RESP. Life Insurance can grow tax deferred, and paid out tax free at death. Pensions also grow tax deferred.

New to Canadians (5 years old now) is the Tax Free Savings Account. Literally. Open an account, deposit dollars, and all the growth is free of tax. Any Questions? Doesn't matter if you are saving for the long term or the short term, you don't pay tax on the growth. There is a limit though. The annual limit for deposits was \$5,000 per year. This year (2013) the limit is \$5,500. Future year's deposits will increase slightly each year with inflation.

If you open an account this year, and had not made any previous deposits in another TFSA, you can reach back and catch up. "That means in 2013 you can deposit as much as \$25,500" says Collins. Whatever interest or growth you receive is tax free.

Some Canadians will use the tax advantaged TFSA for extra retirement savings. Others will use the account to save for specific events like weddings, home down payments, or simply a rainy day savings account.

The investment you make inside your TFSA will be as risky or risk free as you want it to be. The choice is yours. Open a bank account and pay tax, or open a TFSA and keep the tax. Sometimes financial planning is tax (and calorie) free.

Talk to an expert and start saving tax today.