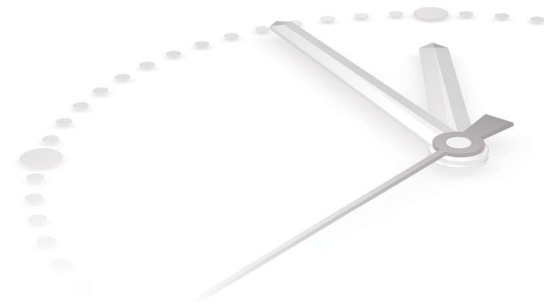


# A tax-free way to save and grow your investments



In 2023, you are eligible to contribute another \$6,500 to your NBF Wealth Management Tax-Free Savings Account (TFSA). In addition to the 2022 contribution room, you may contribute any dollar limit from the previous year that you did not use, as well as re-contribute withdrawals, excluding qualifying transfers, made from your TFSA in previous years.

Remember, the TFSA allows you to invest tax-free and to have the flexibility to withdraw these savings at any time on a tax-free basis, for any purpose.

Your NBF Wealth Management investment advisor can show you how a NBF Wealth Management TFSA and the 2022 contributions will fit into your overall Investment plan.

## How the TFSA works

- › You can contribute up to \$6,500 starting in January 2023.<sup>1</sup>
- › Your contributions are not tax deductible, but investment returns (interest, dividends and capital gains) earned in your TFSA are tax-free for life, even when you withdraw them.
- › Your unused contribution room can be carried forward to future years.
- › Investments eligible for an RRSP can generally be held in your TFSA.
- › Your withdrawals are tax-free and funds can be used for any purpose. As well, any amount you draw from your TFSA can be recontributed in a future year without reducing your contribution room.
- › Neither income earned in your TFSA nor withdrawals will affect your eligibility for federal tax credits or income-tested benefits such as the Old Age Security (OAS), the Guaranteed Income Supplement (GIS), or the Canada Child Tax Benefit.

## Who the TFSA benefits

The TFSA provides a tax-efficient vehicle for all Canadians.

Non-Working Individuals	Low-Income Individuals	High-Income Individuals	Retired Individuals
Provides a tax-free savings vehicle to individuals who may not currently be earning income and are therefore unable to contribute to an RRSP.	Provides an alternative to the modest tax deduction of an RRSP contribution for taxpayers in a low tax bracket who may prefer the tax-free growth and withdrawals of a TFSA.	Provides another tax-efficient savings vehicle for taxpayers who have already maximized their RRSP contributions.	Provides retired people with a means to save on a tax-free basis; neither withdrawals nor income earned in a TFSA will trigger clawbacks on Old Age Security benefits or the Guaranteed Income Supplement.

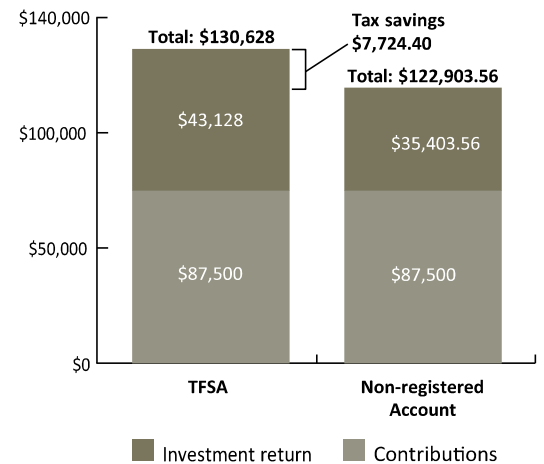
Anyone saving for retirement, a rainy day or a major purchase such as a down payment on a home, a car or a vacation.

## Benefits of saving in a TFSA vs. a taxable (non-registered) account

Your investments will grow faster in a TFSA because investment income earned in the plan is not taxable.

### EXAMPLE:

- › Assume you contribute the maximum TFSA contribution amount per year at the beginning of each year to both a TFSA and a taxable (non-registered) account;
- › Assume a 5% return per year comprised of 40% interest, 30% dividends and 30% capital gains (assuming capital gains are realized every year); and
- › Assume an average overall income tax rate of 29% for a middle-income earner (annual income between \$40,000 and \$70,000).
- › After 15 years, you will have accumulated \$7,724.40 more in a TFSA than in your taxable (non-registered) account. The difference is income taxes that do not have to be paid on income earned in the TFSA.



### Is it better to contribute to a TFSA or an RRSP?

The two savings plans have different features and benefits, but they are designed to complement each other. An RRSP is primarily intended for retirement, while a TFSA can be used for that and also everything else in your life. Generally speaking, whether it is better to contribute to a TFSA or a RRSP depends on your tax rate when you contribute funds and your tax rate when you withdraw funds. If you expect to be in a lower tax bracket when funds are withdrawn, a RRSP may be more tax efficient. If you expect to be in a higher tax bracket when money is withdrawn, a TFSA may be the better option. However, each individual situation is unique and other factors that impact you specifically may need to be considered.

	TFSA	RRSP
Limits	\$6,500 regardless of an individual's earned income for 2023	Based on the earned income an individual had in the previous year, up to a maximum amount
Tax Deductibility	Taxable income is not reduced by contributions	Taxable income is reduced by contributions
Tax on Income	Returns/Income, dividends and capital gains are tax-free	Income, dividends and capital gains are tax-deferred until withdrawn
Withdrawals	Tax-free	Added to taxable income and taxed at current rates

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