



Guide to TFSA investing

The Tax-Free Savings Account (TFSA) is a useful and flexible account that should be part of every Canadian's investment strategy. This short guide will introduce you to the advantages of TFSAs, show you how they compare with RRSPs, and provide ideas for getting started with your own self-directed TFSA portfolio.

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Whether you are retired or nearing retirement, early or mid-career, married or single, a Tax-Free Savings Account should probably have a place in your financial roadmap.

While the name emphasizes *savings*, the TFSA is much more than a plain vanilla savings account. It's a useful and flexible *investment* account. It allows you to put money in a variety of eligible investments, and reap earnings from those investments tax-free for life.

The federal government introduced the TFSA in 2009 to encourage Canadians to increase their rate of savings. It caught on quickly: by the end of 2013, 11 million Canadians had opened a TFSA. In 2015, the government increased the annual contribution limit from \$5,500 to \$10,000. Later that year, the federal finance minister reset the limit to \$5,500 for 2016.

This guide will introduce you to the advantages of TFSAs, show you how they compare with RRSPs, and provide ideas for getting started with your own self-directed TFSA portfolio.

This guide covers:

- 1 Key TFSA rules and features
- 2 The investor-friendly advantages of TFSAs
- 3 Types of investments you can hold in a TFSA
- 4 How TFSAs compare with and complement RRSPs
- 5 TFSA strategies

TFSA rules and features

These are the important features that you need to be aware of:

Eligibility

Individuals with a valid Social Insurance Number who are 18 years of age or older and who live in Canada.

Tax treatment

Contributions must be made from after-tax income. However, earnings within the account are not taxable. And you don't pay tax when you withdraw your money either.

Annual contribution limit

\$5,500 per year as of 2016.

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