

BLOG

With the recent introduction of Tax-Free Savings Accounts, deciding where to save your money is a big decision – and sometimes confusing.

One of the most important considerations should be the primary purpose of your savings. The most common reasons for saving and the advantages of each type of account are identified below.

General Savings:

Contribute to a TFSA for general savings needs. After you've reached the \$5,000 yearly TFSA maximum, non-registered savings vehicles like savings accounts or GIC products make the most sense.

Home Purchase:

Contribute to a TFSA to increase your savings for a home purchase. RRSP savings can be used for your home purchase through the Home Buyers Plan. After maximizing your TFSA and RRSP, use non-registered savings to save even more money for the largest purchase of your life.

Education:

Contribute to an RESP when saving for a child's education. Take advantage of the government grant of 20% on your \$2,500 yearly contribution.

After maximizing the RESP contribution, use the TFSA for your child's education and then a non-registered savings product after your TFSA yearly contribution has been maximized.

If you are paying for your own education, contribute to a TFSA to save for your life-long learning.

Retirement:

Contribute to a TFSA when the tax rate at the time of contribution is expected to be equal or lower than in retirement. There is no age limit in which TFSA assets must be withdrawn.

Contribute to an RRSP when the tax rate at the time of contribution is expected to be equal or higher than in retirement. An RRSP must be converted to a RIF at age 71.

Contribute to a non-registered savings vehicle only after the TFSA and RRSP.

As you can see, the TFSA is highly versatile, offering more primary savings purposes than any other plan. It is the most flexible tax-advantaged savings vehicle in Canadian history.

Congratulations on your decision to save money.