Tax-Free Savings Account
(TFSA)

TFSA Features

Invest up to $5,000 a year.*
Any investment income earned through interest, dividends or capital gains is tax-free.
You can hold a variety of investments in a TFSA (e.g., cash, GICs, mutual funds, bonds, stocks and more).
Make tax-free withdrawals from cash savings at anytime.
Any unused contribution room from previous years is automatically carried forward.
No restrictions on how the funds are used once withdrawn.
Funds withdrawn during the year can only be re-contributed at the beginning of the following calendar year.
Withdrawals do not affect eligibility for federal government benefits; like Old Age Security and the GST credit.

Helpful Tips

It is important that the account holder keep track of their annual contribution limit. Here are some suggestions to make it easy to manage contribution limits:

Avoid treating the TFSA similar to a bank account with regular withdrawals.
Consolidate TFSA accounts at one financial institution.
Refer to your CRA documents to confirm your limit. Ensure your personal information (such as surname, SIN, date of birth, etc.) are correct and consistent between CRA and your financial institution.

An opportunity to invest — Tax-Free

The Tax-Free Savings Account (TFSA) is a flexible savings plan that allows Canadians to invest and earn tax-free returns. It's a great way to save for short or long term goals.

What is a TFSA?

A TFSA is a great way to save without worrying about taxes eating away at your investment gains.

A TFSA is available to Canadian residents over the age of 18† who have a social insurance number and are registered with the Canada Revenue Agency (CRA). You can contribute up to $5,000 a year* into a TFSA and all earnings that accumulate within the plan are tax-free. Unused contribution room from previous years is automatically carried forward.

Include a TFSA in your overall plan

A TFSA can be as important to your financial plan as your RRSP. It can help you save towards your short term and long term goals.

The annual maximum contribution amount for a TFSA is $5,000 per year*. If you contribute the maximum amount allowed for 10 years, you could have $50,000 plus any additional tax-free investment earnings available to you. The TFSA may allow you to shelter your investments from tax if you have maximized your RRSP contributions.

Talk to a BMO investment professional to learn how a TFSA can fit into your overall plan.

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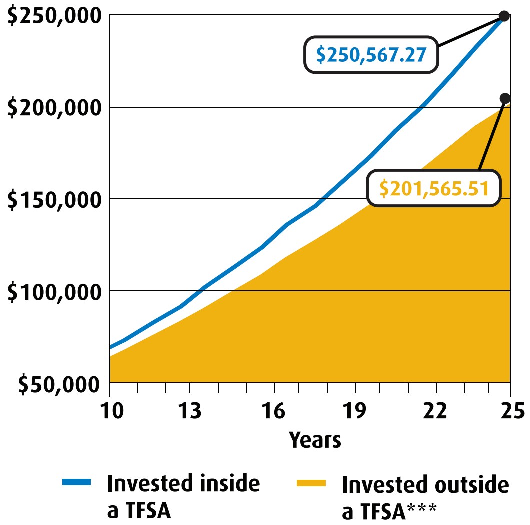
The Benefits of Tax-Free Growth in a TFSA



Projection based on investments of $5,000 per year* at 5%

*Assumes investments made at the beginning of the calendar year.

**5% rate of return for illustrative purposes only. As with any investment product, returns are not guaranteed. Maximum contribution limit for TFSA in this example is not indexed to inflation rate.

***Earnings taxed annually at 30%.

How can I use it?

There are no restrictions on how you use your funds once they're withdrawn. You can use your TFSA to save for short-term goals, like a vacation, or long-term goals, like retirement, or to fund education.

Here are some examples of how you might use your TFSA.

I am...	Using my TFSA to...
A young investor, just starting out	• buy a car • help pay for my education • save for a down payment on a home
In my peek earning years	• save in addition to my RRSP • save for my children's education • set aside money for personal goals (perhaps a vacation or home renovations}
Retired	• re-invest my required Registered Retirement income Fund (RRIF) withdrawals • make withdrawals that aren't included in my income for tax purposes

How is a TFSA different from an RRSP?

While both of these account types are great savings vehicles, there are important differences you should be aware of.

TFSA	RRSP
Automatically qualify for $5,000 per year* contribution room (must be 18 years old and a Canadian resident).	Contribution limits are based on earned income.
Withdrawals are tax-free. Amounts withdrawn are added to the following year's contribution room providing you the opportunity to re-contribute the amount withdrawn.	Withdrawals are taxed in the year of withdrawal (exceptions being the Home Buyer's Plan (HBP) and Lifelong Learning Plan (LLP) which are not taxed provided they are repaid on schedule). Once withdrawn; amounts can not be re-contributed.
Contributions are not tax-deductible on your income tax return.	Contributions may be tax-deductible on your income tax return subject to contribution limits.
There is no requirement to convert to an income payment option (e.g. a RRIF or an annuity) at a certain age.	Must be fully withdrawn or transferred to either a RRIF or annuity by the end of the year you turn 71.

For more detailed information on the TFSA and how it can help you reach your financial goals, visit your local BMO branch, visit **bmo.com/tfsa** or speak to a BMO investment professional.

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The comments included in this publication are not intended to be used for taxation purposes or financial advice or a definitive analysis of Canada Revenue Agency rules and regulations. These comments are general in nature and professional advice regarding an individual's particular financial position should be obtained in respect to individual circumstances.

† For some provinces and the territories, you must be age 19, the age of majority, to open a BMO InvestorLine or BMO Nesbitt Burns account.

* You can invest more than $5,000 per year, if you have available TFSA contribution room. Re-contributions made in the same year as the withdrawal may cause you to exceed your allowable contribution limit if you have always contributed the maximum amounts each year and as a result do not have any unused contribution room. A penalty of 1% per month on the amount exceeding your contribution limit will apply.

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