

Investing

Tax-Free Savings Account

Helping you reach your goals sooner



RBC Royal Bank®



For short-term and long-term goals, consider a Tax-Free Savings Account

Everyone has different reasons for saving and investing. But no matter what your goals are, you may be able to realize them sooner with a Tax-Free Savings Account (TFSA). This registered account is unlike anything Canadian investors have seen before. Investment returns in the account — whether interest, dividends or capital gains — are not taxed, even when withdrawn.

A TFSA has the potential to help you reach your goals sooner.

TFSA basics

To be eligible to open a TFSA, you must be 18 or older, a Canadian resident and have a Social Insurance Number (SIN). The age of majority is 19 in certain provinces and territories, which may delay the opening of a TFSA; however, you start to accumulate contribution room at age 18.

The 2009 contribution limit for each account holder is \$5,000. This limit will rise along with inflation in future years, in \$500 increments. The federal government will report your TFSA contribution room to you annually.

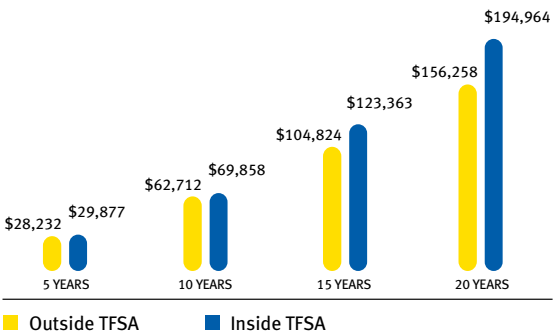
There is no tax deduction for contributing to a TFSA. However, the returns your investments generate in a TFSA are not taxable. This tax-free

compound growth means that your money grows much more quickly inside a TFSA than in a taxable account (see chart below).

You can withdraw money from your account at any time, (depending on what you invested in); and RBC does not charge a TFSA withdrawal fee. In addition, you can re-contribute the amounts you withdrew anytime after the year of withdrawal. For example, if you contribute \$5,000 in 2009 and then withdraw \$2,000 later the same year, your 2010 contribution room will be your \$5,000 annual limit for 2010 plus the \$2,000 that you withdrew in 2009.

Tax-free savings add up faster

Over time, the power of tax-free compound growth makes a big difference. This chart shows how \$5,000 contributed annually and earning 6% interest per year would grow both inside and outside a TFSA.



Assumes tax rate of 32% outside TFSA, with interest income taxed annually. All contributions made at beginning of year. Annual compound rate of return of 6%. For illustration only and not indicative of future returns. Actual tax rates and rates of return will vary.

TFSA benefits

The TFSA has a number of special features that make it useful in a wide range of situations. These include:

- ▶ **Flexibility.** You can make withdrawals whenever you want, for any purpose. Withdrawals are added to unused contribution room starting the following year. Unused contribution room is carried forward indefinitely, so you can re-contribute whenever you have the money.
- ▶ **Investment choice.** You can hold a wide range of investments in your account, including RBC Funds, RBC GICs and RBC Savings Deposits.
- ▶ **No income requirement.** You don't need to have earned income in order to make a contribution.
- ▶ **Versatility.** A TFSA could be appropriate for both your short-term and long-term investment goals.
- ▶ **Tax-free.** Unlike other tax-deferred plans, earnings in a TFSA are never subject to Canadian tax. You don't pay taxes even if you withdraw.
- ▶ **Lifelong eligibility.** There's no requirement to collapse your account at a set age. You can keep it as long as you live. This makes it especially valuable as part of a long-term strategy that also includes RSPs/RIFs.



How you might use your TFSA

The TFSA lets you create a flexible, tax-sheltered savings fund you can use for a variety of purposes. You can use it for short-term goals, such as a new car, a dream vacation or even a new home. But you can also use it in addition to your registered Retirement Savings Plan (RSP) to help you reach long-term goals, such as providing funds for your retirement.

How you use a TFSA and the benefits it can provide will vary depending on your individual situation and investment goals. Here are some of the ways in which you might choose to use it.

- ▶ **To reduce taxes.** If you currently earn interest or other investment income in taxable accounts, consider a TFSA instead. The income you earn will be tax-free, helping your money grow faster.
- ▶ **To save for retirement.** Use a TFSA to complement your RSP, giving you a second source of funds in retirement that you can withdraw at any time without tax consequences. You can also earn tax-free returns even if you don't have the earned income required to make an RSP contribution. And you can contribute at any age.



- ▶ **To income-split with your spouse.** You can give funds to your spouse, who can then use them to contribute to his or her own TFSA. This can help to equalize your future incomes. Returns earned inside the account are not attributed back to you so there is no tax consequence to either you or your spouse.
- ▶ **To invest excess RIF withdrawals or pension income.** If you have a registered Retirement Income Fund (RIF), you are required to withdraw a minimum amount every year. If you don't need all of your RIF withdrawal or pension income to cover your living expenses, you can contribute the excess to a TFSA where your funds can enjoy tax-free compound growth.
- ▶ **To maintain eligibility for government programs.** TFSA withdrawals are not included as income for tax purposes, and therefore don't affect your eligibility for income-tested government benefits and credits like Old Age Security or the GST credit.

TFSA highlights

- › Available to residents of Canada 18 years and older (in certain provinces and territories the age of majority is 19)
- › Contribute up to \$5,000 a year
- › Contributions are not tax-deductible
- › No tax on earnings within the plan
- › No tax on withdrawals
- › Unused contribution room carried forward indefinitely
- › Withdrawals can be made at any time, for any purpose
- › Amounts withdrawn can be re-contributed in subsequent years

At RBC:

- › Wide choice of TFSA investment options, including RBC Funds, RBC GICs and RBC Savings Deposits
- › Access to TFSA-Matic™, to make easy, automatic contributions on a regular basis
- › No TFSA withdrawal or administration fees

How you use your Tax-Free Savings Account depends on your own personal needs and goals. Please speak with an RBC® advisor about how to incorporate this versatile savings and investment account into your plan. To reach an advisor:

› Visit your nearest RBC branch

› Call 1-800-463-3863

› Or visit www.rbc.com

Please consult your advisor and read the prospectus before investing. There may be commissions, trailing commissions, management fees and expenses associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. RBC Funds are offered by RBC Asset Management Inc. and distributed through authorized dealers.

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