TAX-FREE SAVINGS ACCOUNT

2025 Reference Guide

The Tax-Free Savings Account (TFSA) allows you to save money for any purpose without having to pay tax on withdrawals or on any income or capital gains earned within the account. A TFSA can help you achieve your goals, whether you are investing for the short term or for well into the future.

- You can withdraw funds from your TFSA at any time for any purpose.
- Your withdrawals occur on a tax-free basis.
- Investment income is earned in your TFSA tax free.
- Contribution room is not lost. You will always be able to recontribute the amount you have withdrawn. You will just have to wait until the following calendar year to do so.
- Contribution room is carried forward.

In order to open and make a contribution to a TFSA, you must be a resident of Canada, over the age of 18 and have a valid Social Insurance Number. There is no maximum age limit.

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CONTRIBUTIONS AND CONTRIBUTION ROOM

The amount that you can contribute to your TFSA is limited by your individual TFSA contribution room. Your individual TFSA contribution room is calculated as follows:

The annual TFSA dollar limit

+

Any unused TFSA contribution room from the previous year

+

Total amount of withdrawals from TFSAs in the previous year

(excluding qualifying transfers and withdrawals of TFSA "excess")

The Tax-Free Savings Account (TFSA) is a vehicle for tax-free savings and growth that has been available to Canadians since

2009

For 2025, the cumulative total for an individual who has never contributed to a TFSA, and has been eligible since 2009 is

$102,000

The historical TFSA dollar limits are provided below:

2009-2012	$5,000/year
2013, 2014	$5,500/year
2015	$10,000/year
2016-2018	$5,500/year
2019-2022	$6,000/year
2023	$6,500/year
2024-2025	$7,000/year
Cumulative total	**$102,000**

The TFSA dollar limit is indexed to inflation, rounded to the nearest $500. This means that each year an unrounded indexed amount (the base figure) is calculated based on increases in the Consumer Price Index, but the annual dollar limit only changes when the unrounded amount reaches the next rounding threshold. The next contribution limit increase to $7,500 will not occur until the base figure reaches $7,250 (i.e. the mid-point between $7,000 and $7,500).

If you are unable to contribute the maximum amount in a given year, the contribution room will continue to carry forward while you are living. There is no limit on the number of years the unused contribution room can be carried forward.

You can request the amount of your individual TFSA contribution room by:

- Accessing CRA's **My Account for Individuals**
- Calling the Tax Information Phone Service (TIPS) at 1-800-267-6999

Note: Prior-year contributions and withdrawals may not be reflected in your current year contribution room until after the end of February. Current year transactions will not be included.

You may have multiple TFSAs, however, the total amount that you may contribute cumulatively must remain equal to or below your contribution room.

EXAMPLES

Stephan turned 18 years old on February 14, 2025. He was able to open his TFSA on February 14, 2025 and contribute $7,000, the full amount of the 2025 TFSA dollar limit, on this day.

Racquel turned 18 years old on March 1, 2019. She did not open her TFSA account until January 2025. Assuming Racquel was a resident of Canada over this period of time, her personal contribution room as of January 1, 2025 was $44,500 as the annual dollar limits accumulate starting the year you turn 18. Racquel's contribution room was calculated as follows:

2025 dollar limit	$7,000
+ Unused contribution room from 2024*	$37,500
+ 2024 withdrawals	$0
= 2025 contribution room	$44,500

**dollar limits from 2019 to 2024: ($6,000 × 4) +$6,500 + $7,000 = $37,500*

CONTRIBUTIONS

Third-party contributions not permitted

TFSAs cannot be registered jointly or in the name of a business or trust. They may only be registered to one individual and CRA prohibits third party contributions. Although you can gift money for the purposes of a TFSA contribution, the contribution itself must come from an account registered in the name of the TFSA account holder. The exception would be if the contribution was from a joint account of which the TFSA holder is one of the joint account holders.

A TFSA contribution from a corporate account to an individual TFSA would not be permitted. It is possible for contributions to be made on behalf of a TFSA holder under an agency agreement however, such as contributions made under an employer-sponsored group arrangement.

In-kind contributions

In addition to cash contributions, you can also make "in-kind" contributions to your TFSA with the transfer of property/ securities you hold in a non-registered account to your TFSA.

You will be considered to have disposed of this property at its fair market value (FMV) at the time of the contribution. If the FMV is more than the cost of the property, i.e. if the value of your securities has increased, you would have to report the capital gain on your tax return, and pay tax accordingly. If the cost of the property is less than its FMV, you would not be able to claim the loss. From CRA's perspective, you haven't really lost anything as you are still holding the same investment. As such, in-kind transfers of investments in a loss position are generally discouraged.

Contributions from your RRSP or RRIF

If you wish to transfer an investment from your Registered Retirement Savings Plan (RRSP) or Registered Retirement Income Fund (RRIF) to your TFSA, to avoid CRA's advantage rules, you will have to either:

- transfer the investment to a non-registered account first then to the TFSA; or
- sell the investment in the RRSP/RRIF, withdraw the cash, contribute cash to the TFSA and repurchase the security.

In either case, the amount withdrawn from the RRSP/RRIF will be reported on a T4RSP or T4RIF and must be included in your taxable income on your personal income tax and benefit return. The amount of tax withheld should also be claimed.

WITHDRAWALS

One of the benefits of a TFSA is the flexibility an investor has with regards to accessing their funds. Funds can be withdrawn from a TFSA at any time and are not considered income or subject to tax. You can also re-contribute the amounts you withdraw from your TFSA in future years without reducing future contribution room. More specifically, the amount that is withdrawn in a given year will be added back to your TFSA contribution room at the beginning of the next calendar year. If you decide to replace the withdrawal in the same calendar year, you must ensure that you have remaining contribution room to absorb the contribution. If you don't, you will have over-contributed and will be subject to tax on the excess amount.

EXAMPLE

Angelica is a disciplined investor and ensures she contributes the maximum amount to her TFSA each year. On April 1, 2025 Angelica has $145,000 in her TFSA account. Her balance is higher than the total of the TFSA dollar limit because Angelica is invested in a diversified portfolio and has earned $43,000 within her account. At the end of the year, she is planning on going on a vacation to Panama and would like to withdraw $20,000 to cover her travel expenses. Angelica asks her advisor when she can replace her withdrawal in her account and how much she will be able to contribute in 2026, as she plans on maximizing her contribution. Her advisor correctly advises her that she will have to wait until 2026 to replace the amount of her withdrawal. Additionally, she will be able to contribute up to the TFSA dollar limit set for 2026. If the TFSA limit for 2026 remains at $7,000, the amount that Angelica is able to contribute on January 1, 2026 is $27,000.

Impact on government benefits and credits

Most provincial and federal income-tested benefits and credits will NOT be impacted as a result of withdrawals made or income earned in your TFSA. Since withdrawals are not included in your taxable income, they are not taken into account in determining your eligibility for income-tested amounts such as the Canada Child Benefit (CCB), GST credit, age amount tax credit etc. Withdrawals will also not reduce government benefits that are based on an individual's income level, such as Old Age Security (OAS) benefits, Guaranteed Income Supplement (GIS) or Employment Insurance (EI).

Assets in a TFSA may impact eligibility for the Alberta government's Assured Income for the Severely Handicapped (AISH) program.

TFSA withdrawals vs. qualifying transfers

A contribution is moving cash or investments from outside your TFSA into your TFSA. A transfer is moving cash or investments from one TFSA to another TFSA. A direct transfer from one of your TFSAs to another is considered a qualifying transfer which will not impact your TFSA contribution room. In order to be considered a qualifying transfer, the transfer must be completed by the financial institution or there could be tax consequences resulting from an over-contribution.

A qualifying transfer may occur as a result of a breakdown of marriage or common-law partnership. TFSA assets can be transferred directly between both individuals' TFSAs without tax consequences or affecting TFSA contribution room providing the transfer is completed by the financial institution and the following conditions are met:

- The spouses or common-law partners are living separate and apart due to breakdown of the relationship; and
- The recipient is entitled to receive the amount as part of a court order or decree, or as a result of a written separation agreement dividing property as a result of the relationship breakdown.

EXAMPLES

Bernie has two TFSAs at two separate financial institutions, ABC Bank and XYZ Bank. In an effort to consolidate his funds, Bernie requests that his financial advisor at ABC Bank transfer his TFSA assets to XYZ Bank. His financial advisor has him sign a form authorizing the qualifying transfer and the transfer is processed by the financial institution. This transaction has no impact on his contribution room.

Bernie's friend Harpreet contributes the maximum each year to her TFSAs. She also wanted to consolidate her TFSA assets. On March 1, 2025 Harpreet had $10,000 in her TFSA at ABC Bank and $120,000 in her TFSA at XYZ Bank. She goes to the ABC Bank in her town to withdraw her TFSA assets in cash. She then takes the cash to XYZ Bank to deposit it into her existing TFSA there. Because Harpreet has no TFSA contribution room remaining and did not follow the correct procedure for a qualifying transfer, she has now over-contributed to her TFSA by $10,000. This is because your TFSA contribution room is calculated cumulatively between all TFSA contracts that you hold, and Harpreet was not eligible to recontribute this $10,000 withdrawal until January 1, 2026. If she would have followed the same procedure as her friend Bernie did, there would not have been an over-contribution.

TFSA VS. RRSP

TFSAs and RRSPs share many similarities but also have many differences. Both offer tax benefits and are designed to encourage personal savings and investing.

	RRSP	TFSA
Maximum contribution limit	✓	✓
Contribution limit based on income	✓	✕
Carryforward of unused contribution room	✓	✓
Contribution tax deductible	✓	✕
Maximum age for contribution	71	✕
Tax-sheltered growth and earnings	✓	✓
Withdrawals taxable	✓	✕
Withdrawals added to contribution room	✕	✓

Should I contribute to an RRSP or a TFSA?

RRSPs and TFSAs are structured differently, with the TFSA providing greater flexibility. If you are saving for something other than retirement, you would most likely contribute to a TFSA. If you are saving for retirement, there are some factors to consider to help you decide between the two.

RRSPs provide higher contribution limits that increase the ability to save more and provide deterrents for early withdrawals. Contribution room is lost upon withdrawal and withdrawals are taxable. With TFSAs, the flexibility may tempt you to spend proceeds before retirement, but will provide non-taxable income in retirement that will not affect income-tested benefits (OAS, GIS, etc).

Another thing to consider when choosing between contributing to your TFSA or your RRSP for retirement is your current tax rate compared to the tax rate that will apply when you make the withdrawal.

If you are in a lower tax bracket today and going to be in a higher tax bracket when funds are withdrawn, the TFSA would be more advantageous. If you are in the same tax bracket at contribution date and withdrawal date, it doesn't matter; the vehicles were designed to be tax equal. If you are in a higher tax bracket today and will be in a lower tax bracket when funds are withdrawn, contributing to an RRSP would be recommended.

TFSA vs RRSP tax rates

Lower tax rate at contribution

	TFSA	RRSP
Pre-tax income	$7,000	$7,000
Tax rate - contribution	20%	n/a
Tax	($1,400)	-
Net contribution	$5,600	$7,000
Value at 5% for 20 yrs	$14,858	$18,573
Tax rate - withdrawal	n/a	40%
Tax	-	($7,429)
Net value	**$14,858**	**$11,144**

Same tax rate

	TFSA	RRSP
Pre-tax income	$7,000	$7,000
Tax rate - contribution	40%	n/a
Tax	($2,800)	-
Net contribution	$4,200	$7,000
Value at 5% for 20 yrs	$11,144	$18,573
Tax rate - withdrawal	n/a	40%
Tax	-	($7,429)
Net value	**$11,144**	**$11,144**

Lower tax rate at withdrawal

	TFSA	RRSP
Pre-tax income	$7,000	$7,000
Tax rate - contribution	40%	n/a
Tax	($2,800)	-
Net contribution	$4,200	$7,000
Value at 5% for 20 yrs	$11,144	$18,573
Tax rate - withdrawal	n/a	20%
Tax	-	($3,715)
Net value	**$11,144**	**$14,858**

The right plan at the right time

- Early in your career when income and your marginal tax rate are likely to be lower, it will make more sense to invest in a TFSA than an RRSP.
- In your mid-career when income is likely to be higher, it may well be that your marginal tax rate is essentially the same as it will be in retirement. At this stage, it can work equally well to invest in either type of plan since each additional dollar will be taxed at the same rate. Of course, if there are other financial issues at this stage, such as a potential need for liquidity, then investing in a TFSA that permits tax-free withdrawals at any time may make more sense.
- As you reach the late stages of your career, your earnings will likely peak and be higher than your anticipated retirement income. Given the high marginal rate you'll have at this time, it's advisable to invest in an RRSP in order to defer taxes. If contribution room has been used up, any excess savings can be invested in a TFSA.
- Generally, once retired, you will be in a lower tax bracket, and excess income, up to your contribution limit, can be invested at any age in your TFSA. But, if you continue to have high income and are under age 72, or have a spouse under age 72, then RRSP contributions may be preferable to reduce that income, again, as long as there is contribution room available.

	Early career	Mid career	Late career	In retirement
TFSA	✓	✓		✓
RRSP		✓	✓	

EXCESS CONTRIBUTIONS

If at any time you make a non-deliberate over-contribution to your TFSA, penalty tax will apply and this TFSA excess can also impact the options available for your TFSA at death. The amount of penalty tax is 1% per month for each month that the over-contribution remains in the account. If it is deemed by the CRA that the over-contribution was deliberately made, as in you clearly attempted to contribute more than your contribution limit in order to gain an advantage, different rules are applied. In the event of a deliberate over-contribution, a penalty equal to 100% of any income or gains that resulted from the over-contribution will be applied in addition to the 1% per month on the excess.

If you have over-contributed to your TFSA you can either:

- Immediately withdraw the excess amount; or
- Wait for new contribution room to be available in the following year. Penalty tax will continue to accrue until additional room is available to absorb the excess.

By June 30 of the year following the over-contribution, you are required to file a TFSA return with CRA and submit payment of the penalty tax. If you are unaware of the over-contribution or have not filed the required forms by June 30 of the year following the over-contribution, the CRA may send you a tax package addressing the over-contribution with instructions regarding how to remedy the situation.

You may also wish to consider writing a letter to the CRA requesting a waiver or cancellation of the TFSA taxes.

EXAMPLES

Eduardo has maxed out his contribution room by the end of the 2024 calendar year. On January 1, 2025 he contributed $7,000 to his TFSA. In September of 2025 Eduardo receives a $2,000 bonus and would like to contribute it to his TFSA so that it can grow tax free, however, he does not have any remaining contribution room. Eduardo will have to wait until January 1, 2026 at which point he can contribute up to the TFSA dollar limit announced for 2026.

To expand on our example using Eduardo's situation above, say that Eduardo did not realize that he had maximized his TFSA already in January of 2025 and unintentionally made the $2,000 contribution in September of 2025. Eduardo will be charged 1% per month that the unintentional over-contribution remains in his account.

QUALIFIED INVESTMENTS

There are a variety of investment options to consider once a contribution has been made to your TFSA. Broadly speaking, you can hold many of the same investments in your TFSA that you can hold in your RRSP. Qualifying investments include:

Cash

Guaranteed Investment Certificates (GICs)

Certain shares of small business corporations

Mutual funds

Bonds

Securities listed on a designated stock exchange in Canada or internationally:

- Exchange-traded funds (ETFs)
- Stocks

The rules for investments that are not publicly traded are complex. Should you be considering such an investment, please consult your tax advisor.

Although foreign securities listed on a designated exchange are qualifying investments for a TFSA, dividends paid on those shares may be subject to foreign withholding tax, with no tax treaty relief available. As a result, foreign securities in your TFSA may not be completely tax free.

Ultimately, the type of investment you choose to hold in your TFSA should reflect your specific situation, risk tolerance and time horizon. Your ATB Wealth advisor will be able to ensure your TFSA investment choices are in line with your personal objectives.

DEATH OF A TFSA HOLDER

Upon your death, no additional contributions can be made to your TFSA. Any unused TFSA contribution room will be lost. The full value of your TFSA at death will be passed on to your heirs, free of tax. The amount will be paid to your named beneficiary, if applicable, otherwise to your estate.

The tax consequences on growth after death, and the ability to transfer proceeds to the beneficiary's TFSA without the use of contribution room, will depend on the type of beneficiary, and the timing of the transfer following the date of death.

If you wish your spouse to receive 100% of your TFSA assets, the most efficient transfer occurs if you elect your spouse as a successor holder rather than a beneficiary. If you elect your spouse as a successor holder, you would also have the opportunity to elect a beneficiary in the event that your successor holder predeceases you.

If the spouse/common-law partner is named in the TFSA contract or will as the successor holder, or in the TFSA contract as the sole beneficiary.

General rules:

The TFSA continues and the spouse ultimately becomes the successor holder of the plan. The spouse does not need available contribution room for this transfer. Only a spouse can be named as a successor. Following the assumption of ownership of the deceased holder's account, the successor holder's contribution room will not be impacted, unless there is an outstanding over contribution (excess) within the deceased's account.

If the deceased had excess, in the month following death, the excess is treated as a deemed contribution to the successor holder's TFSA. If the successor holder does not have enough personal contribution room to absorb the excess in the deceased's account, the successor will be responsible for the tax on the excess from the month following death up until the date that the excess is removed from the account.

EXAMPLE

Shannon and Riva were a married couple. Shannon held a TFSA and she had designated her wife Riva as the successor holder of the plan. Shannon passed away on January 1, 2025 and the balance in her TFSA on this date was $25,000. Riva, as the successor holder, immediately assumed ownership of the TFSA at the date of death. Shannon's estate was settled on April 1, 2025 at which point her TFSA had earned $400 in interest. Neither the $25,000 fair market value at the date of death, nor the $400 interest earned since the date of death will be taxable to Riva as the successor holder. The full $25,400 can be transferred to Riva's TFSA without the use of TFSA contribution room.

If the spouse/common-law partner and someone else are both named as beneficiaries in the TFSA contract, or the spouse is named as a beneficiary via the will.

General rules:

There is no opportunity for the spouse to become the successor account holder, the spouse becomes a "survivor." Assuming the deceased had no TFSA excess, the "survivor" (spouse) may elect to make an "exempt contribution" to their own TFSA. The value at the date of death is received tax free and could be contributed without the use of any contribution room.

The income or growth earned by the survivor from date of death would be taxable to the survivor, and the survivor would require TFSA room in order to contribute any amount above the value at death to their own TFSA.

The exempt contribution for the value at death must occur by December 31 of the year following the year of death and must be designated as such on CRA Form RC240, Designating an Exempt Contribution to a Survivor Tax-Free Savings Account (TFSA) within 30 days after the day on which the contribution is made.

The ability to make an exempt contribution may not be available if the deceased had TFSA excess or there is more than one survivor. A tax of 1% per month applies to the deceased holder for the excess TFSA amount for each month it existed, up to and including the month of death. If the deceased had TFSA excess at death, generally no amount of the survivor payment can be designated as an exempt contribution. The spouse would require TFSA room for any amount contributed to their own TFSA. CRA would have to be contacted to determine if a designation can still be made.

EXAMPLE

Justin named his estate as the beneficiary of his TFSA. When he passed away his will indicated that his wife Britney was the beneficiary of his estate. Britney is considered to be Justin's "survivor" and is able to make an exempt contribution to her own TFSA. The TFSA at Justin's death was worth $30,000 and at the time she made the election for the exempt contribution it was worth $32,000. She will be able to deposit $30,000 into her TFSA with no tax consequences and without the use of TFSA contribution room. Britney would have to include the increase in value of $2,000 in her taxable income for the year. She would require TFSA contribution room if she wished the additional $2,000 to be deposited into her TFSA.

Non-spousal beneficiaries

General rules:

The fair market value of the account as of the date of death will be paid to the beneficiary on a tax-free basis. Any growth or interest on the account that is earned after death will be taxable to the beneficiary. In addition, if the beneficiary wishes the investment to continue to grow tax free, they will need contribution room available to invest the proceeds into their own TFSA.

EXAMPLE

Marcia, a TFSA holder, passed away on January 15, 2025. The balance in her TFSA account at the date of death was $72,000 and there was no excess amount in the account. Her estate was settled on May 1, 2025 and her son, Wilson, was listed as the beneficiary. The value of the account on this date was $72,450. The full amount of $72,450 was dispersed to Wilson at this time as the sole beneficiary on the account. As for tax consequences, Wilson would only be responsible to pay tax on the $450 that had accumulated in the account since the date of death. The fair market value of $72,000 at the date of death would not be taxable.

Charitable organization as beneficiary

If you name a registered charity or other qualified donee under the Income Tax Act, as the beneficiary of your TFSA, a donation tax credit will be available. If the transfer of funds to the charity occurs within 36 months after the date of death and the estate qualifies as a "graduated rate estate," the donation tax credit can be applied to either:

- The last two taxation years of the deceased;
- The taxation year of the estate in which the donation is made;
- An earlier taxation year of the estate; or
- Any of the five taxation years of the estate following the year in which the donation is made.

CRA sets a limit on the amount of donations that can be utilized for the donation tax credit in a given year. In the year of death, donations up to 100% of net income can be utilized.

TFSA CONSIDERATIONS FOR NON-RESIDENTS

If you are no longer a resident of Canada, you are still allowed to continue earning and withdrawing from the TFSA on a tax-free basis under Canadian legislation. This does not guarantee that the tax laws of your current country of residency will not apply to these earnings or withdrawals.

You can contribute to your TFSA up to the date you become a non-resident. Your contribution room is not pro-rated in the year of immigration or emigration. While you are a non-resident, you will not accrue additional TFSA contribution room. However, any withdrawals that are made while you are deemed a non-resident will be added back to your contribution room but will only be available if your Canadian residency is re-established.

If a non-resident makes a contribution to their existing TFSA, the contribution will be taxed at 1% a month until it is withdrawn regardless of their available contribution room with an exception for qualifying transfers and exempt contributions.

TFSA CONSIDERATIONS FOR US PERSONS

TFSAs do not provide the same tax benefits under US tax rules as they do under the Canadian system. A US person investing in a TFSA would have to report the income and pay applicable taxes to the IRS. US persons should consult a qualified cross-border tax professional before investing in a TFSA.

ADDITIONAL TFSA CONSIDERATIONS

- Fees paid for the administration of your TFSA are not tax deductible. These fees are not considered a withdrawal and as a result will not be added back to your contribution room in the following year.
- Interest on money borrowed to contribute to a TFSA is not tax deductible.
- The assets in your TFSA can be pledged as collateral for a loan.
- Even if not pledged as collateral, the Alberta Civil Enforcement Act does not provide protection for assets in a TFSA; they can be garnished or seized with the appropriate court order or judgement. Creditor protection may be available to TFSAs that are held with an insurance company if the named beneficiary is a spouse, parent, child, or grandchild.