Certified General
Accountants Association
of Canada

Issue in Focus

Tax-Free Savings Accounts – Shifting Opportunity

By Mihaela Scarlat and Rock Lefebvre

Tax-Free Savings Accounts – Shifting Opportunity

By Mihaela Scarlat and Rock Lefebvre

Executive Summary 3

Introduction 4

International Precedents to the TFSA 5

Examining TFSAs in Relation to Other Opportunities 11

Government Revenue Forgone 19

TFSAs from the Employer Perspective 22

TFSA Administration 23

Closing Comments 24

Executive Summary

Effective January 2, 2009, the government of Canada introduced a new saving instrument for Canadian residents, 18 years or older[1]– the Tax-Free Savings Account (TFSA). This savings incentive has been generally well received since announced in February 2008 given that it has the potential to positively mitigate the current savings behaviour of both high and low-income Canadians. Unlike Registered Retirement Savings Plans (RRSPs) which have commonly been regarded as most benefitting high income earners, needs of low to modest income individuals have been deliberately attended to in this new measure. Intended not only to boost savings for retirement, the TFSA can be used also to accumulate savings intended for vacations, for house renovations, for large purchases such as a home or a car, for emergencies or medical expenses, and the like. "The TFSA is like an RRSP for everything else in your life".[2]

While a federal initiative, we are observing also that provincial budgets[3] have included the tax-free provision for the accumulation of, and withdrawal from, these new TFSA plans.

As part of CGA-Canada's Issue in Focus series, we have set out to review the TFSA; focusing on how it might benefit individuals at different income levels and how they might compare to other savings devices available. As the following pages reveal, it can be reasonably contended that:

> ***TFSAs will change the way people think of savings.*** The TFSA provides Canadian residents 18 years or older with the opportunity to accumulate savings complementary to their Registered Retirement Savings Plans (RRSPs), Registered Pension Plan (RPP), or Registered Education Savings Plans (RESPs) with a view to maximizing long-term benefit; both relating to tax and to life course. When deciding where to place money (i.e. RRSP, RESP, TFSA, the paying off of debt or mortgage), Canadians will find that they have some competing options. The introduction of yet another option, or consideration, will necessitate greater decision-making attention. Dependent on personal circumstances though, this savings vehicle may prove very useful. On a broader scale, we can expect that TFSA measures will serve to stimulate and increase the saving rate among Canadians which will benefit us all by improving investment, encouraging economic growth, and increasing the collective well-being of society.

1 Residents of British Columbia, Newfoundland and Labrador, Nova Scotia or New Brunswick, can open a TFSA at age 19 or older. However, these individuals will accumulate contribution room from the time they are 18.
2 Department of Finance (2008) – Budget 2008 – "Tax Free Savings Account" pamphlet, page 1.
3 At the time of writing, Manitoba, Alberta, Quebec and Ontario had incorporated the TFSA provisions in their budgets.

Different surveys find that Canadian individuals and Canadian employers are interested in the TFSA. Canadians increasingly realize the importance of savings and see the use of the TFSA primarily for retirement savings. Canadian employers are likewise considering either adding the TFSA to their employee retirement program or offering it as a general-purpose savings instrument.

A high domestic saving rate has been identified as an important tax policy pursuit by the Organization for Economic Cooperation and Development ("OECD") countries. By introducing the TFSA plan, Canada continues to align itself with many of the OECD countries using 'tax-preferred accounts'[4] as a means to increase domestic savings. In most of the OECD countries, these types of accounts are used specifically to direct savings towards continuing education, health expenses or to benefit individuals under the age of 21[5]. It should be noted that the United Kingdom and the United States have products similar to Canada's TFSA.

Introduction

The ability to make informed financial decisions is essential. These decisions range from short to long-term, from simple daily decisions on spending to choices of saving for home ownership, post-secondary education, and retirement. The New Year is upon us, and it brings to Canadians the new Tax Free Savings Account alternative.

According to a survey[6] done by the OECD in twelve countries, it was found that in general, individuals lack financial knowledge and awareness; especially when it comes to saving for retirement. Based on another survey done by the Royal Bank in 2005, it was found that "choosing the right investments for a registered retirement savings plan is more stressful than going to the dentist, but less stressful than asking for a raise or proposing marriage."[7] A review of the TFSA and how it works would be of value to Canadians considering the importance of financial orientation and the recognition that a survey conducted by ING bank in September 2008[8] revealed that most Canadians still knew nothing or very little about the TFSA.

This paper begins with a brief description of TFSA-like precedents internationally as well as a summary of advantages and disadvantages of the TFSA. We then proceed to consider the

4 RESP and RRSP accounts are typically characterised as 'tax-preferred accounts'.
5 OECD Tax Policy Studies (2007) – "Encouraging Savings Through Tax-Preferred Accounts", Vol. 15.
6 OECD (2008) – "Improving Financial Education and Awareness on Insurance and Private Pensions" – ISBN978-92-64-04638-2.
7 Investment Executive – "Financial planning more stressful than seeing dentist: survey", February 21, 2005, www.investmentexecutive.com/client/en/News
8 Financial Post, "Most Canadians don't understand new Tax Free Savings Accounts" by Jonathan Chevreau, September 10, 2008.

challenges and opportunities which the TFSA option will bring to different groups: the individual perspective – challenges and opportunities individuals might have in the process of prioritizing their investments between different options (e.g. RRSP, RESP, mortgage payments, TFSA); government perspective – stimulating domestic savings rates among Canadians while incurring opportunity and administration costs; and the employer perspective – for those considering offering a TFSA plan together with their RRSP and/or RPP plans. A summary of all TFSA characteristics is provided in the appendix at the conclusion of this paper.

International Precedents to the TFSA

Figure 1 below provides a comparison of the TFSA to similar tax-preferred accounts implemented in the United States (U.S.) and the United Kingdom (U.K.). Providing some background, this table intends also to provide context to the assumptions presented later in this paper which are based on the similarities between these accounts and the experiences that these countries enjoy.

Figure 1: Comparison of the TFSA with the U.S. Roth IRA and U.K. ISA

	TFSA in Canada	Roth Individual Retirement Account (Roth IRA) in the U.S.	Individual Savings Accounts (ISA) in the U.K.
When was this type of account introduced?	2009	1998	1999
Who can contribute to this savings account?	Any Canadian resident 18 years of age or older.	Any individual having taxable compensation or self-employment income.	Any U.K. resident[9] and U.K. ordinary resident 16 years of age or older for a cash ISA, and 18 years of age or older for a stock and shares ISA.
Is there a maximum age limit for the contributions?	No	No	No
Are there any restrictions in terms of number of accounts held during a period?	No	No	Yes, one can have only one cash ISA and/or one stock and shares ISA in the same tax year.

9 The terms "resident" and "ordinary resident" are not defined in the U.K. Income Tax Act. The status is determined by Her Majesty's Revenue and Customs (HMRC) based on rulings of the courts: http://www.hmrc.gov.uk/cnr/residencedomicile.htm

Figure 1: Comparison of the TFSA with the U.S. Roth IRA and U.K. ISA

	TFSA in Canada	Roth Individual Retirement Account (Roth IRA) in the U.S.	Individual Savings Accounts (ISA) in the U.K.
What kind of investment can be held in this type of account?	Cash deposits; Guaranteed Investment Certificates; Government and corporate bonds; Money market funds; Mutual funds; Publicly traded securities; Certain shares of small business corporations.	Cash deposits; Stocks; Mutual funds; Bonds; Real estate.	Cash deposits in banks and building society amounts; National Savings and Investments products that are specifically designed for ISAs; Shares and corporate bonds issued by companies officially listed on a recognized stock exchange anywhere in the world.
Are contributions restricted by earned income?	No	Yes	No
Are contributions taxable?	Yes	Yes	Yes
Are contributions limited by one's income?	No	Yes. The limits vary depending on marital status and whether joint tax returns are filed (i.e. for 2008, married and filing jointly – if adjusted gross income is US$169,000 each person's contribution limit is zero).	No
Annual contributions limits (for 2009)	CAD $5,000	USD 5,500 to the age of 50. USD 6,500 for individuals 50 or older. However, one cannot contribute more than taxable compensation (e.g. contribution limit for 2009 is US$5,500, taxable income is US$4,000, and therefore contribution limit becomes $4,000).	GBP 3,600 for cash ISAs; GBP 7,200 for stocks and shares ISAs. One individual can invest in both cash and stocks and shares ISAs; however, the limit for the cash ISA applies and the over-all limit for the year is GBP 7,200.
Can the yearly contribution room be carried forward (accumulated)?	Yes	No	No

Figure 1: Comparison of the TFSA with the U.S. Roth IRA and U.K. ISA

	TFSA in Canada	Roth Individual Retirement Account (Roth IRA) in the U.S.	Individual Savings Accounts (ISA) in the U.K.
Are contributions to a spousal savings account allowed?	Yes	Yes	Unspecified
Are withdrawals of contributions taxable?	No	No	No
Are withdrawals of earnings taxable?	No	No, with certain limitations.	No
Is there a minimum age limitation for withdrawals?	No	Yes, 59 ½; as well there is a 5-year lock in period.	No
Can money be transferred from another account into these special savings accounts?	Yes	Yes	Yes
Penalty on over-contributions	1%	6%	The excess payments are invalid and one is not entitled to any tax relief on investments purchased with the excess contributions.
Penalty on early withdrawals?	No	10%, with certain exceptions (e.g. the person reached 59 ½ years old; the person is disabled; the person is the beneficiary of a deceased IRA owner; or the money is used to pay certain qualified first-time homebuyer amounts etc.	No. There may be some penalties on ISA life insurance policies or some ISAs might run for a fixed period of time.
Is the account guarantee to run tax free?	No specification made in this respect.	No specification made in this respect.	Yes, until 2010.

Source: Department of Finance (2008) – The Budget Plan; Canada Revenue Agency "CRA"; Internal Revenue Service, United States Department of the Treasury www.irs.gov/pub/irs_pdf/p590.pdf; Her Majesty's Revenue and Customs (HMRC), United Kingdom www.hmrc.gov.uk.isa

Figures 2 and 3 below show the increase in popularity of these types of accounts in the U.S. during the period from 1998 to 2003 and in the U.K. during the period from 2000 to 2008[10] respectively.

Figure 2 – Annual Amounts Contributed to the Roth IRA Accounts (USD Millions)

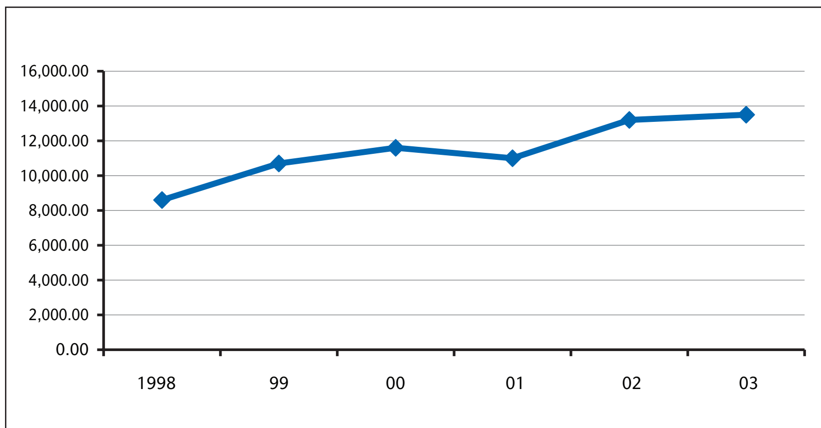
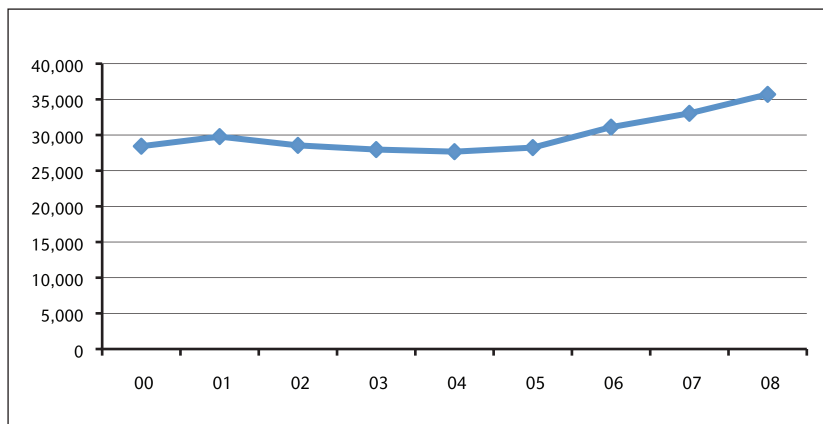


Figure 3 – Annual Amounts Contributed to the ISAs Accounts (GBP Millions)



Sources: Top chart: Investment Company Institute - Research Division, July 2008, Vol. 17, No. 3A (amount for the 2003 tax year is estimated; amounts for 2004-2007 tax years are not available); Bottom chart: Her Majesty's Revenue and Customs: www.hmrc.gov.uk/stats/isa/menu.htm.

10 The U.K. tax year runs from April 6 to April 5 of the following year.

The latest figures for 2007 suggest that there were over 17 million ISAs held across the U.K.[11] This is very close to the number of U.S. households having a Roth IRA in 2007, which was 17.3 million[12]. This suggests that, in consideration of the population difference between the U.K. and the U.S., this type of account is more popular in the former country. This may be due to the fact that the ISA account imposes less restrictions on contributors than the Roth IRA (e.g. higher contribution limits, contributions are not limited by earned income, there is no age limitation for withdrawals etc.).

In large part based on the comparisons afforded by Figure 1, it can be concluded that the features of U.K. ISAs are more similar, than those of the U.S. counterpart, to those of the TFSAs. Extrapolating therefore from the U.K. experience, we can approximate the savings that Canadian TFSAs might engender. The reasons people save and their involvement in personal savings decisions vary and will be influenced by a number of factors including age, economic circumstance, and savings motivation. In light of this known variability, Her Majesty's Revenue and Customs (HMRC) in the U.K. commissioned a study among ISA and non-ISA savers to better understand the effect of ISAs on the population.[13] The study revealed that ISAs have been successful in extending saving habits across income levels. Even more, for low-income individuals, it was discovered that 1 in 4 have an ISA as compared to 1 in 7 that had other types of saving plans before ISAs were introduced.

It was concluded that the motivation for U.K. individuals to invest in ISAs related to the tax advantages offered by ISAs (which are very similar those offered by TFSAs, listed in Figure 4) and the fact that the ISA products are being promoted by most banks and are easy to understand.

11 Suzanne Hall, Nick Pettigrew and Stephen Bell - "Saving in IASs Final Report 22/10/2007" , Research Study conducted for HMRC, 2007.
12 Investment Company Institute – Research Fundamentals, July 2008, Vol. 17, No. 3
13 Suzanne Hall, Nick Pettigrew and Stephen Bell - "Saving in ISAs, Final Report 22/10/2007", Research Study conducted for HMRC, 2007

Figure 4: Summary of TFSA Advantages and Disadvantages

TFSA Advantages

- There are no age restrictions for contributions once the individual is 18 years of age or over (e.g. one could continue contributing after age 71, which is the current RRSP age limit).
- Contributions can be made from other accounts. For low-income individuals, it may be advantageous to transfer money from an RRSP account into a TFSA. The RRSP withdrawals will be included in income for the year and taxed according to income level (which in this case assumes a low tax rate). However, after that the earnings in the TFSA will accumulate tax-free.
- Contributions to spousal TFSAs or children (older than 18 years old) do not invite attribution to the contributor.
- There is no restriction on how many TFSA accounts one can have; however, the annual contributions must be within the limit set for the respective year (e.g. $5,000 for 2009).
- There is no need to have earned income in order to qualify an individual to make contributions to a TFSA.
- Contributions and earnings can be withdrawn tax free at any time (e.g. interest, dividends, capital gains, etc.).
- One can invest in strong foreign companies and withdraw dividend yields tax free. Foreign dividends from investments in non-registered accounts are taxed as interest as they do not qualify for the dividend tax credit applicable to Canadian publicly traded companies.
- There is no minimum contribution limit per year and one can carry forward the unused contribution room.
- Any amount withdrawn in one year can be replaced the following calendar year, in addition to the annual contribution limit. To better illustrate, it is assumed that an individual contributed $5,000 to a TFSA in 2009 and invested the money at a high rate of return and gained $25,000 (this amount is intentionally exaggerated for illustrative purposes). If the individual withdrew $27,000 (of the total of $30,000), this amount would be added to his/her contribution room in the following year.
- Withdrawals from a TFSA are tax penalty free as contributions are made with after tax dollars.
- There is no deemed disposition on death (i.e. the TFSA is not subject to tax upon the death of the account holder).
- Upon the death of the account holder, the TFSA can be transferred free of tax to a spouse.
- They can represent a planning opportunity for individuals who own less than 10% of a corporation. They might be able to hold their investment in the corporation and therefore receive dividends and capital gains tax free (within their TFSA limit)[14].
- A TFSA can be used as collateral against loans.
- The TFSA will not affect eligibility for federal income-tested benefits or credits such as Canada Child Tax Benefit, the Working Income Tax Benefit, the GST tax credit, the age credit, Old Age Security (OAS) benefits, the Guaranteed Income Supplement (GIS) or Employment Insurance benefits.

TFSA Disadvantages

- Contributions cannot start before the age of 18 years of age.
- Contributions are not tax deductible.
- Capital losses are not deductible for tax purposes.
- Interest expense incurred to borrow money contributed to a TFSA is not tax deductible.
- Service fees related to a TFSA are not tax deductible.
- Penalties of 1% are levied against amounts over-contributed.
- There is a 50% one-time penalty on ineligible investments.

Source: Department of Finance (2008) – The Budget Plan and Canada Revenue Agency – “Tax Free Savings Accounts”, “Questions and answers about Tax Free Savings Account – Information for TFSA issuers.”

14 Ryan M. Luvisotto of PricewaterhouseCoopers “Tax-Free savings account, A good deal”, Fall 2008

Examining TFSAs in Relation to Other Opportunities

For families having high disposable income, or otherwise able to maximize their contributions to an RPP, an RRSP, a RESP and a TFSA if so inclined, it may not be necessary to examine the various relative opportunities associated with particular investment behaviour.

For individuals having finite resources which do not fully capture the full aggregate measure of prospective tax benefit however, it will be important to consider the consequences of selecting one, or a group of actions, over the other(s).

TFSA vs. RRSP

As a general rule, TFSAs should be used as a companion to an RRSP, not as a replacement. Although the TFSA was intended to complement existing savings plans for low and middle-income Canadian investors, the question may be whether to put the money into RRSPs or to decrease RRSP contributions and to alternatively contribute to a TFSA.

The latest survey on TFSAs released by Investors Group[15] on October 16, 2008, finds that 46% of Canadians will open a TFSA when available. Of this percentage, six in ten (58 %) plan to invest in a TFSA in addition to their RRSP while 21% report they will contribute to a TFSA first or instead of an RRSP.

Admittedly, the TFSA could be the first step for those having just begun to invest or having little to invest. Individuals finding themselves in this situation are typically those having recently joined the work force, having low wages, or having medium to high income but correspondingly high expenses and therefore not much left to invest (e.g. due to high debt, childcare, mortgages, etc.). The main exception to this concession would be in the instance where one's employer offers to contribute to the individual's RRSP or RPP (either through matching of contributions or as a percentage) in which case one might be ill advised to forego these additional contributions.

An initial reaction by RRSP proponents might be that the advantage of the RRSP over the TFSA contribution lies in the RRSP's deductibility in calculating current taxes. However, as the accumulated income and principal is taxed when the money is withdrawn, the next question is whether the taxpayer's effective tax rate is going to be lower in the future or not. Most individuals would be tempted to answer in the affirmative as the basic assumption is that the future effective

15 Investors Group – "Half of Canadians missing out on TFSAs"- October 16, 2008, http://www.investorsgroup.com/english/aboutUs/news/2008/081016_missTFSA.shtml

tax rate will probably be lower than when the contributions were made, since income is generally lower after retirement.

However, lower-income Canadians might find themselves in a worst position if they make any RRSP[16] contributions as they might face a higher income tax rate at retirement due to the additional government tax benefits (e.g. OAS, CPP, GIS, subsidized housing, nursing home subsidies, etc.). The impact of the TFSA on lower-income Canadians was discussed by the C.D. Howe Institute in its paper "No Strings Attached: How the Tax-Free Savings Account Can Help Lower-Income Canadians Get Ahead", published on September 30, 2008. This paper focuses specifically on how TFSAs will benefit Canadians with no RPP and modest or negligible savings. Because these individuals may rely, at least in part, on the federal and provincial government benefits that are income tested, they will potentially be in a better position to contribute to a TFSA rather than to an RRSP as TFSA income does not count in the qualifying income test. OECD's Economic Survey on Canada mentions also that the TFSA appears to benefit individuals that have "income and hence a marginal tax rate lower while working than in retirement."[17]

There is a general perception that individuals with lower income do not save much. Statistics however show us otherwise. Taxpayers having less than $30,000 in income rank second (after individuals with incomes between $30,000 to $50,000) when reporting capital gains and they constitute 23.3% of all taxable returns with capital gains[18] for the 2005 tax year. Figures 5 and 6 reveal that the number of individuals in lower income brackets making contributions, and the magnitude of their contributions to RRSPs as significant[19].

16 The RRSP contributions of low-income Canadians are generally small as there is not much income left to invest.

17 OECD (2008) - "Economic Survey – Canada", Volume 2008/11.

18 CGA Canada, Issue in Focus (2008) – "How pressing is it to Revisit the treatment of capital gains?"

19 Figure 6 shows individuals with income up to $30,000 per annum contributing between $6,000 and $10,000 to RRSPs. It is assumed that this is possible due to available RRSP contribution room that might have been carried forward from prior years.

Figure 5: Number of Individuals, by Income Brackets, Contributing to the RRSP in the 2005 Tax Year

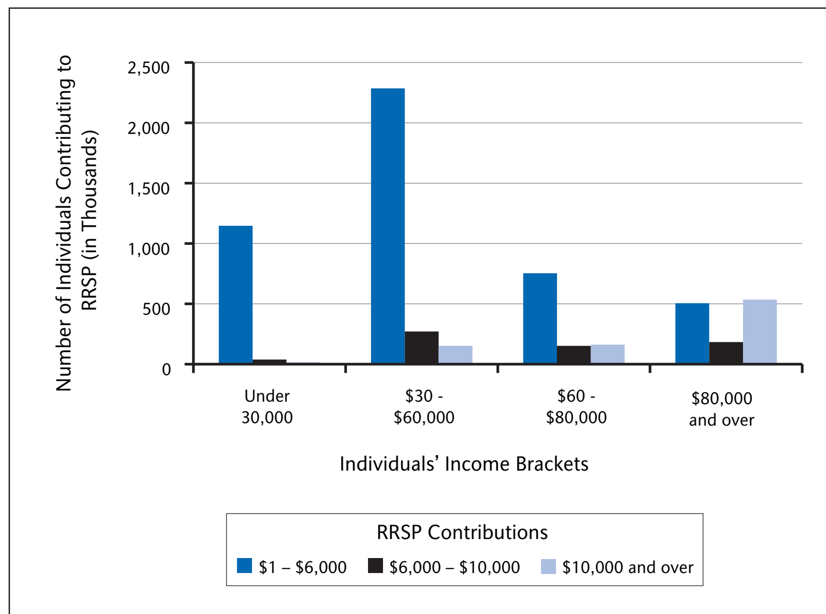
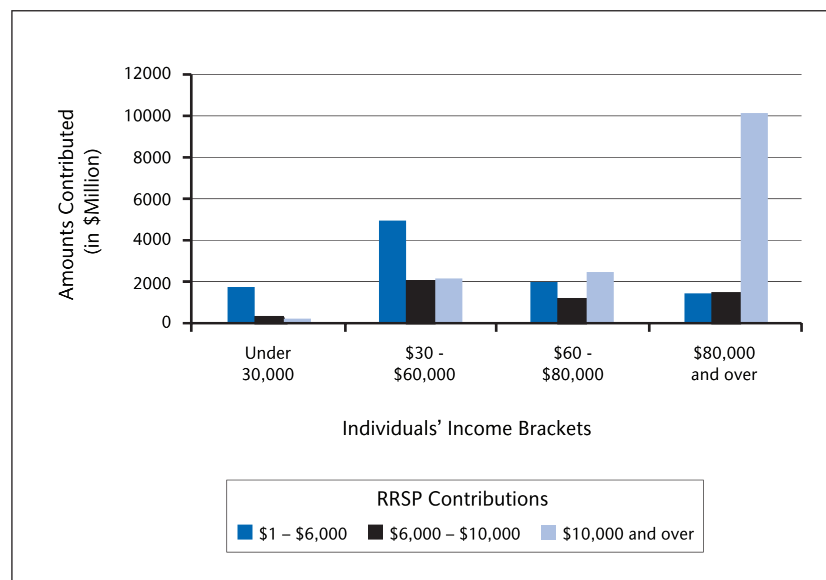


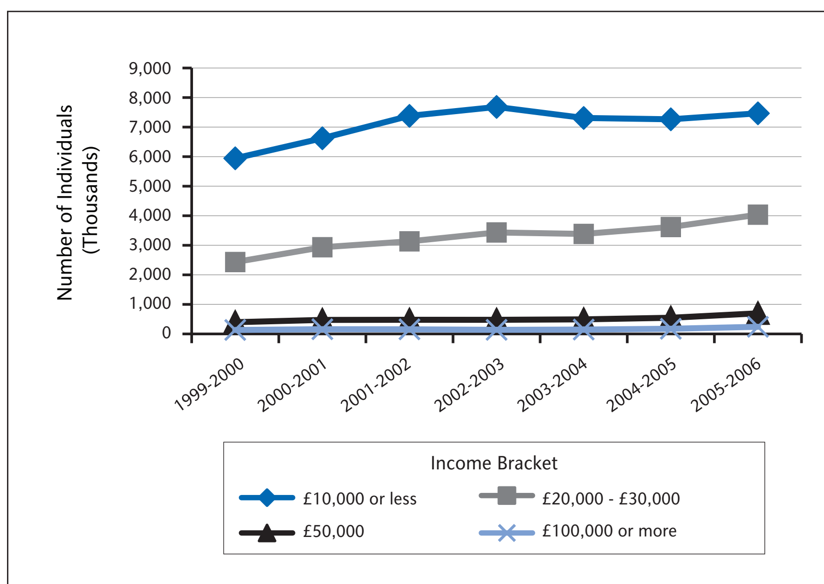
Figure 6: Amounts Contributed to the RRSP, by Individuals' Income Brackets, in the 2005 Tax Tear



Source: Canada Revenue Agency – Income Statistics for the 2005 tax year, Basic Table 11B: http://www.cra-arc.gc.ca/gncy/stts/gb05/pst/fnl/pdf/tbl11b-eng.pdf"

The same conclusion can be drawn from looking at the investments in the ISAs in the U.K. in relation to an individuals' income range, as reflected in Figure 7. As shown, the number of individuals contributing to ISAs is in inverse proportion to their income level which suggests that this type of account is more popular within low and medium income earners.

Figure 7: Number of Individuals Contributing to ISAs by Income Brackets and by Year



It should be noted that TFSAs can also be a fine way to increase retirement savings for people who are already contributing the maximum each year to their RRSPs, have little RRSP room left due to their RPP or for those over the age of 71 years (after which RRSP contributions are no longer permitted).

There is at least one more scenario that is worth mentioning. Looking beyond the basic differences between the two investment instruments (e.g. deductibility of contributions, taxation of income) an interesting scenario emerges for families that have one high income earner and a stay-at-home spouse. The spousal RRSP can be maximized (especially if he/she works only in the home and does not accumulate new RRSP room) and then subsequent to the holding period of three years[20], the stay-at-home spouse can withdraw the TFSA contribution room each year and move the cash from the RRSP account into the TFSA account. The stay-at-home spouse will most probably pay very little or no tax on the RRSP withdrawals (assuming that he/she has no or very little other income) and the money has now become tax free from the time it is invested in the TFSA.

20 CRA – "RRSP and Other Registered Plans for Retirement – 2007" http://www.cra-arc.gc.ca/E/pub/tg/t4040/t4040-07e.pdf

TFSA vs. RESP

After the Federal Government announced implementation of the TFSA in February 2008, much of the media attention clustered around whether TFSA popularity would rival or replace that of RRSPs. However, another germane dimension to the TFSA option resides in whether taxpayers might contribute to a TFSA rather than to a RESP to fund their children's post-secondary education.

RESPs were established to assist families in saving for and funding their children's higher education. Contributions to an RESP are not tax deductible for the parents, but earnings do accumulate tax-free. Depending on family income, the federal government adds to the RESP contributions through the Canada Learning Bond (CLB) and the Canada Education Savings Grant (CESG). When the funds are withdrawn, the earnings and the government "bonuses" (i.e. CLB and CESG) are taxed in the hands of the beneficiary. The beneficiary will most probably pay very little or no tax on the RESP withdrawals (assuming that the student beneficiary has no or very little other income).

Without reciting the details of RESPs, the principle point is that irrespective of family income, a 20% CESG will be paid on the first $2,500 of annual contributions made to **all** eligible RESPs for a qualifying beneficiary to an annual maximum of $500 in respect of each beneficiary ($1,000 in CESG if there is unused grant room from a previous year), and a lifetime limit of $7,200. For families having low to middle incomes, there are additional amounts provided by the federal government meant to encourage access to higher education. If the children decide however not to pursue a higher education, these government "bonuses" need be returned to the federal government.[21]

According to the OECD's recent study on "Encouraging Savings through Tax-Preferred Accounts", after the Belgium tax preferred life insurance, Canadian RESPs "seem to be the next-most generous scheme, the reason being that RESPs have generous saving bonuses available to the entire population. Moreover, since 2004 they (the saving bonuses) have increased as the household's income decreases in order to advantage more moderate-income households."[22]

Parents deciding to save to fund their children's higher education should take into account the advantages of the RESP, which are the additional contributions the federal government makes, the fact that starting in 2007 there is no annual limit for contributions to RESPs, and that parents can open an RESP account as soon their children are assigned a social insurance number; without having to wait until the attainment of any age threshold.

21 CRA – Registered Education Savings Plans, http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/resp-reee/menu-eng.html

22 OECD (2007) – "Encouraging Savings through Tax-Preferred Accounts" – ISBN-92-64-031359, page 45.

However, RESPs have restrictions that are worth mentioning. Especially for parents concluding that they may need more funds to pay for their children's higher education (e.g. medical school), for parents thinking that their children might not pursue a higher education, or for children having other income (from summer/co-op jobs, taxable scholarships, etc). These restrictions are the life time limit contributions of $50,000 and taxation of earnings in the account if ever the amounts are not used for post-secondary education[23]. However, because the TFSA can be open for adult children only, and the restrictions mentioned above are considered more like an exception than the rule[24], it seems reasonable to conclude that RESPs will remain a viable post-secondary education savings vehicle.

TFSA vs. Paying Down Debt

This is a highly debatable subject and depends on many variables including nearness to retirement, the magnitude of money already dedicated to retirement, and interest rates.

The following scenarios, illustrated in Figure 8, provide some insight into the option[25].

Scenario 1, Option 1: In this scenario, the individual has a $150,000 mortgage at 6.6% interest amortized over 20 years. If additional payments are made towards the mortgage (based on the TFSA contribution rooms for the period 2009 - 2018), the individual can become 'mortgage free' in almost half the time (i.e. 12.7 years vs. 20 years) and save $23,504 in interest over this 10 year period.

Scenario 1, Option 2: Under this scenario, if the individual invests the amounts available for the period 2009 - 2018 into a TFSA rather than making additional payments towards the mortgage, there will be investment growth of $13,162, $23,528 or $39,694 based on 4.0% , 6.6% and 10.0% rates of return respectively over the 10 year period.

The conclusions to be drawn from scenario 1 are heavily dependent on the type of individual and investor our individual might be. If we assume that under this scenario the individual has more than 16 years before retirement, it is presumed that consideration would be given to investing a larger part of the portfolio into riskier investments promising higher rates of return. Based on this assumption, any investments that yield rates of return of 6.6% or higher provide a better outcome than if the individual decides to pay off the mortgage first (e.g. at a rate of 6.6% the

23 The RESP contributions could be refunded to the contributor or the beneficiary tax-free. However, in the case mentioned above, the contributor/beneficiary could receive the "accumulated income payments" (e.g. earnings in the account) which will be taxed according to the tax bracket applicable to the individual plus an additional tax of 20% (12% for Quebec residents).

24 There are no statistics available to show whether the life time limit for the RESP contribution was exceeded and what would be the rate for it.

25 These scenarios do not take into account any administration or withdrawal fees on the TFSA.

amounts of interest savings on the mortgage vs. investment income growth into TFSA are almost equal).

Scenario 2, Option 1: In this scenario, the individual has a $75,000 mortgage at 6.6% interest and has 10 years left to pay. If additional payments towards the mortgage are made (based on the TFSA contribution rooms for the period 2009 - 2014), the individual can become 'mortgage free' in almost half the time (i.e. 5.8 years vs. 10 years) and save $12,677 in interest over the 5 year period.

Scenario 2, Option 2: Under this scenario, if the individual invests the amounts available for the period 2009 - 2014 into a TFSA rather than making additional payments towards the mortgage, there will be an investment growth of $4,473, $7,700 or $19,108 based on 4%, 6.6% and 10% rates of return respectively over the 5 year period.

The conclusions under scenario 2, are more apt to posit that the investor is likely to be more risk averse than in scenario 1 if he/she is closer to retirement. In this situation, it is assumed that if this individual decides to invest into a TFSA instead of paying off the mortgage, he/she will choose investments that will yield no more than 6.6% rate of return. Based on the calculations in Figure 8, the individual is "better off" by paying down the mortgage first and using the additional savings (e.g. generated by the fact that he/she does not have the mortgage payments anymore) for investing into a TFSA or a different investment instrument.

In both scenarios, if the individual is more risk adverse, he/she might consider paying off the mortgage first in order to take full advantage of the principle residence capital gains exemption realized in the case of the house sale (e.g. the calculations in Figure 8 do not take into account the growth of the real estate market).

Importantly, the TFSA contributions are taxed in the year they are allocated (through taxation of income) as are any monies directed to mortgage payments however there are no other tax consequences in the future.

Over the next 20 years as TFSAs mature, 90% of Canadians are expected to hold all their financial assets in tax-efficient savings vehicles.[26] According to the OECD, "the limited taxation of savings in Canada should help to stimulate net savings. Further reducing tax on savings would continue to improve the neutrality and the efficiency of the Canadian tax system."[27]

26 Department of Finance (2008) – The Budget Plan
27 OECD (2008) – "Economic Survey – Canada", Volume 2008/11, page 83

Figure 8 – Pay Down the Mortgage or invest within TFSA?

	Scenario 1				Scenario 2			
	Option 1: Paying down the mortgage first	*Option 2:* Investing in TFSA			*Option 1:* Paying down the mortgage first	*Option 2:* Investing in TFSA		
Mortgage amount	150,000				75,000			
Mortgage interest rate/ rate of return	6.6%	4.0%	6.6%	10.0%	6.6%	4.0%	6.6%	10.0%
Amortization period (Time to pay off the mortgage)	**20 years**	N/A	N/A	N/A	**10 years**	N/A	N/A	N/A
Annual additional amount to contribute to the mortgage/ the TFSA	For 2009 - 2011: annual contribution of $5,000; For 2012 - 2015: annual contribution of $5,500; For 2016 - 2018: annual contribution of $6,000.				For 2009 - 2011: annual contribution of $5,000; For 2012 - 2014: annual contribution of $5,500.			
Total additional payments/ investments for the period	**55,000**				**31,500**			
	Comparison over a 10 year period between savings by making additional payments to the mortgage vs. investment income growth into TFSA				**Comparison over a 5 year period between savings by making additional payments to the mortgage vs. investment income growth into TFSA**			
Interest Savings by paying off the mortgage sooner	23,504				12,677			
Investment income growth into TFSA		13,162	23,528	39,694		4,473	7,700	19,108

A few specifications to Figure 8 are needed:

The mortgage rate of 6.6% was calculated as a 10 year average rate of the January 1998 to December 2007's average residential mortgage 5 year lending rate;

The rate of return of 4% was calculated as a 10 year average rate of the January 1998 to December 2007's rates of return on the following low risk investments : Selected Government of Canada benchmark bond yields: 10 years; Chartered bank – Guaranteed Investment Certificates : 1 year and 5 year; Treasury bill auction – average yields: 1 year; The rate of return of 6.6% was taken for comparison purposes which assumes the same rate of return as the mortgage interest rate; The rate of return of 10% is based on a 35-year average for the period 1973-2008.

Additional payments amounts were calculated based on the TFSA contribution room for 2009 and estimated amounts for the period 2010 to 2018. The amount of new TFSA contribution room allocated in 2009 will be $5,000. Thereafter, the amount of new room allocated each year will be determined by indexing $5,000 to inflation and rounding to the nearest $500.

Average inflation rate of 2.02% was calculated based on Statistics Canada, CANSIM Table 326-0021, Consumer price index (CPI) for the period January 1998 to December 2007

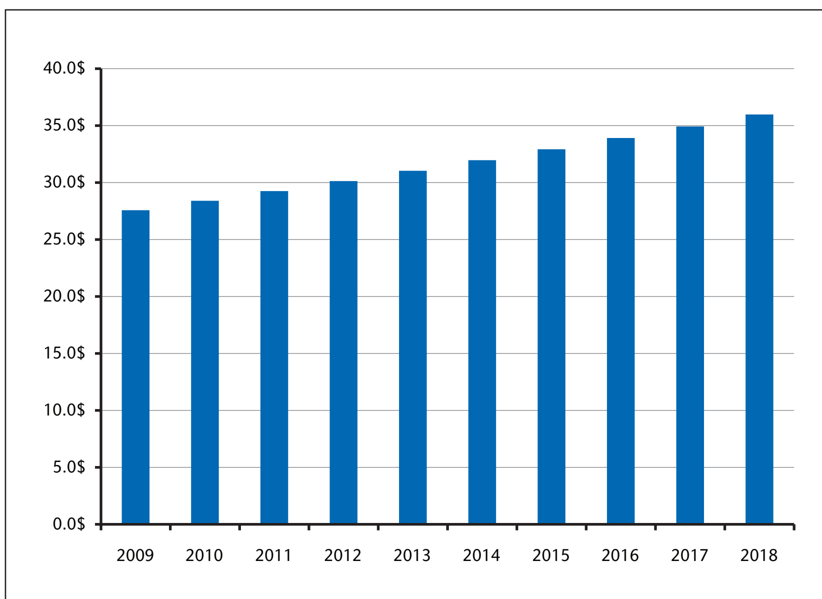
Sources: Statistics Canada, CANSIM Table 176-0043 - Financial market statistics, Average residential mortgage lending rate: 5 year January 1998, CANSIM Table 176-0043; Department of Finance (2008) – The Budget Plan; The Global Investment Outlook, RBC Investment Strategy Committee, Fall 2008 "Recommended Asset Mix".

Government Revenue Forgone

In the following pages, we attempt to provide an estimate of the monies that will be accumulated in TFSAs to the 'detriment' of RRSP contributions over the next 10 years and the possible loss of government revenue resulting from individuals opting for TFSA over RRSP contributions.

Previously outlined, the latest TFSA survey results released by the Investors Group[28] on October 16, 2008, found that 46% of Canadians intended to open a TFSA account upon becoming available. Of this population, 17% aimed to contribute the maximum amount to the TFSA account (i.e. $5,000). Based on available population data, the number of Canadians 18 years of age or older in 2007 is just over 26 million.[29] Therefore, the number of Canadians that will open TFSAs in 2009 can be estimated at 12 million. Of this number, a little over 2 million (17%) will contribute the maximum to TFSA. For the balance, we assume that half will make contributions of $1,000 and the other half will contribute $2,500. Therefore, the total estimated TFSA contribution for 2009 approximates 27.5 billion[30].

Figure 9: Estimate of Annual TFSA Contribution (in $billions)



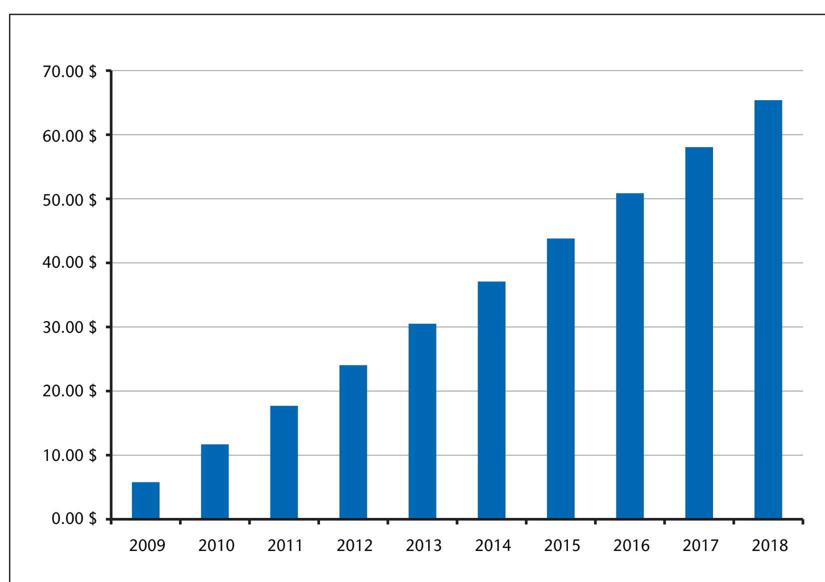
28 Investors Group – "Half of Canadians missing out on TFSAs", October 16, 2008 - http://www.investorsgroup.com/english/aboutUs/news/2008/081016_missTFSA.shtml

29 Statistics Canada CANSIM Table 051-0001: the exact number of 18 years and older is 26,035,015.

30 Figure 9 reflects the estimate of the annual amounts contributed to TFSA from 2009 to 2018, based on a 3% average growth per year, and does not take into account the asset growth for the period (the U.K. example was used in order to estimate the average growth rate).

Based on the same survey, among the people planning to contribute to a TFSA (46%), 21% will contribute to a **TFSA first or instead of an RRSP,** translating into 2.5 million Canadians that expect to contribute to a TFSA rather than to an RRSP. In order to determine the estimate of the contributions that might be made to TFSA instead of the RRSP, the same algorithm was applied. It is assumed that 17% of the 2.5 million will contribute $5,000 while the remaining population is equally divided in two groups each contributing $1,000 and $2,500 respectively. The results summarized in Figure 10 below show an estimated 2009 approximate of $5.8 billion (and a 2009 - 2018 cumulative approximate of $65 billion) TFSA contributions coming at the expense of conventional RRSP contributions.

Figure 10: Estimate of Cummulative RRSP Contributions Lost (in billion $)



In order to determine the amount of revenue forgone by the Canadian government for the next 10 years resulting from contributions to TFSAs vs. RRSPs, it is important to define the type or generic profile of the TFSA investor population. Based on domestic demographics taken in tandem with information flowing from U.K. experience with ISAs, the following assumptions can be made: 44% of the population contributing to TFSAs rather than to RRSPs have 16 or more years to retirement (group A); 31% have 15 to 6 years to retirement (group B); and 25% have 5 years or less to retirement (group C).

Previously discussed, time until retirement plays an important role in deciding investment mix. For this purpose, it was assumed that the group A cohort represents investors seeking long-term

growth – are comfortable with considerable fluctuation in the value of their portfolios – and are assumed to therefore seek a 10% rate of return[31]. The group B cohort is assumed to be more heavily populated by those willing to accept some risk – nevertheless having more fixed income in their portfolio – and is assumed to therefore seek an average 6.6% rate of return[32]. The final group C cohort is deemed to be close to retirement – are assumed to be conservative – and will more likely pursue a protective strategy yielding more modest income/capital growth in the area of a 4% rate of return.

Figure 11 below provides some insight on the revenue forgone by the government over a 10 year period assuming that some Canadians will in fact choose to invest in TFSAs to the detriment of the RRSPs. The two scenarios present the similar characteristics (e.g. effective federal tax rate when contributions are made, constant present and future value of contributions rate calculations) with the exception that the 1st scenario provides for a reduced effective federal tax rate at time of withdrawal from the time of contribution due to decline in annual revenue and anticipatory tax bracket/rate drop.

Figure 11: Estimate of Net Government Revenue Forgone[33]

Characterizations and Assumptions (10 year horizon)	Scenario 1 in billions	Scenario 2 in billions
Assumed effective federal tax rate at time of contribution	13.81%	13.81%
Assumed federal tax rate at time of RRSP withdrawal	10.81%	13.81%
Present Value of TSFA contributions (see Figure 10)	$65.39	$65.39
Future Value of same contributions if invested in RRSP	$98.52	$98.52
Government expenditure reduction resulting from RRSP shift to TFSA (i.e. forgone RRSP deductions)	**$9.03**	**$9.03**
Future Value of above expenditure reduction (over 10 year period)	$11.18	$11.18
Government revenue resulting from year 11 RRSP withdrawal	$10.66	$13.61
Government revenue foregone if expenditure reduction is not invested	**$1.63**	**$4.58**
Government revenue foregone/(gained) if expenditure reduction invested	**($0.52)**	**$2.43**

31 The Global Investment Outlook, RBC Investment Strategy Committee, Fall 2008 “Recommended Asset Mix”. The 10% return is based on a 35-year average for the period 1973-2008.

32 The 6.6% rate of return is explained above in the *TFSA vs. Paying Down Debt* section.

33 The effective federal tax rate at the time the contributions are made was based on the average effective tax rate of 13.81%. This was calculated based on the information from CRA Table 2A “Taxable returns by total income class for all Canada” http://www.cra-arc.gc.ca/gncy/stts, as the total net federal income tax paid divided by net taxable income (after deductions). The effective tax rate at the time the contributions are withdrawn was estimated to be 3% lower than the effective tax rate at the time the contributions are made for Scenario 1 and equal to the effective tax rate at the time the contributions are made for Scenario 2.

Results in Figure 11 show that if the Government spends the increased net revenue resulting from reduced RRSP contributions, the revenue forgone is estimated at $1.6 billion and $4.6 billion respectively over 10 years, depending on the effective tax rate variation from the time that contributions are made to the time when contributions and earnings are withdrawn. However, if the Government invests the net revenue increase attained from reduced RRSP deduction claims[34] the net government revenue actually augments by $0.52 billion in the first instance and foregoes only $2.4 billion in the second.

As TFSAs mature, people will have substantial TFSAs on which they will attract no tax and more people will conceivably qualify for government benefits: more money coming from government with less tax being paid in. Will the TFSA be sustainable in practice? Adopting the U.K. example, the Government could include a pledge to continue the TFSA program, with its inherent treatment in relation to qualification for government benefits, for a period of 10 years. This approach can assure Canadians that for at least 10 years any withdrawals and growth in their TFSAs will be tax free and, while affording government the liberty to examine over time the effect that TFSAs will have on revenue and their consequential sustainability.

TFSAs from the Employer Perspective

In June 2008, a survey by Hewitt Associates revealed that 43% of the 250 employers polled reported that they were 'likely' or 'highly likely' to establish an employer sponsored TFSA.[35] However, taking into account the current economic environment, we will be curious to observe the number of employers following through with the added costs of sponsoring TFSAs; either as a vehicle for retirement savings[36] or as a general-purpose savings instrument.

As the employee's TFSA contributions are not deductible for income tax purposes, the employer contributions to TFSAs will analogously be treated as a taxable benefit to the employee. This denotes that payroll and withholding taxes (e.g. Canada or Quebec Pension Plan, Employment Insurance, and income tax) need to be paid on employer TFSA contributions. Viewed as a staff cost, the employer's contributions will be deductible against business income much like any other form of legitimate compensation. Importantly, the combined contributions by the employer and the employee to TFSAs cannot exceed the year's maximum contribution limit (i.e. $5,000 for 2009).

34 A conservative 4% rate of return was assumed for the revenue invested by the Government.
35 Hewitt Associates - "TFSAs: Additional Financial Security for Employees", June 2008, www.hewittassociates.com
36 For more details on employee retirement program (Defined Benefit or Defined Contributions) see for instance the Certified General Accountants Association of Canada reports: "Addressing the Pensions Dilemma in Canada" (June 17, 2004) and "The State of Defined Benefit Pension Plans in Canada: An Update on the Pensions Dilemma in Canada"(November 8, 2005)

Advantages to Employees

An employer-sponsored TFSA program, whether independent or otherwise enjoined to other employee benefits, allows the employee to benefit from:

- more investment options;
- convenience of saving/contributing through payroll deductions;
- lower management fees; and,
- the option to use the TFSA as a temporary holding account for subsequent transfers to other plans (e.g. RRSP) or cost-sharing arrangements as a way to maximize tax benefit.[37]

Advantages for Employers

As reported by Hewitt Associates in June 2008:

- 36% of the employers polled identify that adding the TFSA to employee benefit programs menu offers greater flexibility for employees – translating into competitive advantage against other employers;
- 11% of the employers polled believe that the employer TFSA will serve to attract and retain employees;
- 11% of the employers polled believe that introducing the employer TFSA will help the employer maintain a competitive benefits program.

The implementation of the employer TFSA will come with challenges such as communication strategies to gain "buy in" from employees (i.e. explaining the benefits to the employees), administration costs, and fiduciary obligation; all which will need to be evaluated and considered by employers.

TFSA Administration

The TFSA is accounted for separately from an RRSP, and in the case of the employer-sponsored TFSA, separately from RPP. The TFSA issuer is required to complete and submit form RC236 *Application for a Tax-Free Savings Account Identification Number* [38] along with a copy of the issuer's specimen plan to the Canada Revenue Agency (CRA).

TFSA issuers will need to report information pertaining to both the financial institution and the taxpayer/investor including personal identification, total contributions, and total withdrawals from the TFSA by way of filing an *Annual Information Return*[39] by the end of February of the

37 Hewitt Associates - "TFSAs: Additional Financial Security for Employees", June 2008, www.hewittassociates.com
38 http://www.cra-arc.gc.ca/E/pbg/tf/rc236/rc236-08e.pdf
39 http://www.cra-arc.gc.ca/tx/bsnss/tpcs/tfsa-celi/dtlmnts-eng.html

following year (i.e. reporting deadline is February 28, 2010 for the 2009 tax year). Based on the information reported by financial institutions within the *Annual Information Return,* the CRA will be calculating the contributions and potential over-contribution of taxpayers.

Canadian investors are reminded that there may be administration fees attached to the TFSA; oftentimes dependent on the type of the account and the number of withdrawals from it. Depending on the type of investment in the TFSA (e.g. GIC, high interest saving account, mutual funds, etc.), administration fees can play an important part in the net performance of the account. There are two essential types of fees one should be aware of: annual administration fees and withdrawal fees. Most banks will charge no administration fee and allow free withdrawals or otherwise waive these fees. Some discount brokers will charge annual administration fees of $50 (e.g. BMO InvestorLine, BMO Nesbitt Burns, TD Waterhouse) and withdrawal fees of $25 and $15 for BMO InvestorLine and MBO Nesbitt Burns respectively[40].

Closing Comments

The analysis presented in this paper will hopefully accentuate that TFSAs are the most revolutionary savings instrument in Canada since the introduction of RRSPs. They offer great investment flexibility for short to long-term savings goals. The TFSA methodology benefits individuals receiving income-tested benefits, those who will need access to funds before retirement, individuals with little or no RRSP room, individuals having maximized their respective and spousal RRSP eligibilities, and young adults who are not benefiting from RRSP deductions typically due to lower income levels. As the U.K. experience has shown, a third of respondents participating in one of the surveys reported that had ISAs not existed, they would not have saved as much or not have saved at all.[41]

The latest report of OECD on income distribution and poverty shows that in Canada, "in the last 10 years, the rich have been getting richer leaving both middle and poorer income classes behind"[42]. One effective (and complementary) measure the Government might consider resides in the prospective implementation of matching, to some extent, the contributions of lower income recipients so as to create additional incentive while rendering the magnitude of resources more meaningful. This type of measure is not new, the Government has previously deployed it through the CLB and CESG 'bonus' amounts discussed in the *TFSA vs. RESP* section above. In similar

40 Rob Carrick – "Watch out for fees on tax-free savings accounts", Globe and Mail, December 2, 2008.
41 HMRC (2005) – "Individual Attitudes to Saving: Effect of ISAs on People's Saving Behavior"
42 OECD (2008) – "Growing Unequal?: Income Distribution and Poverty in OECD Countries", Country Note: Canada, page 1, www.oecd.org/els/social/inequality

fashion, the government could set limits on the amounts to be matched and in addition could impose limits on withdrawals.

Another way of encouraging savings is through programs, information and advice that improve financial understanding and literacy which ultimately increase Canadians confidence in the investing process. In some cases, barriers to savings are due to a lack of knowledge and information, distrust in the financial sectors, or finding the investment process overwhelming and complicated. Government, financial institutions, schools and other organizations need to continue to work together so as to assist Canadians in getting better acquainted with financial products and services, and the financial environment.

Given current market conditions at time of writing, it would be highly optimistic to predict what turns the market (and its intrinsic investments) may take. What we do agree on is that one should think long-term in these troubled times. Canada's Minister of Finance reassured Canadians that "Overall, Canada is at a distinct advantage in dealing with the ongoing crisis, with our economic fundamentals among the best in the world and a range of proactive stimulative measures in effect."[43]

Canadians should try to keep in mind that the *pay yourself first* rule should apply in any market situation. People finding it hard to find any spare money to save should consider investing their tax refund, a pay increase, or a bonus. Another approach is to set up automatic deposits to a TFSA to encourage saving. As prior market experience suggests, when the market reaches a bottom, the potential for very healthy return follows.

TFSAs will present both a challenge and an opportunity for all groups participating in it: the Canadian investor, the Government, the employer and to a smaller degree the financial institutions. Properly planned and utilized however, these new savings instruments can over time, represent a worthwhile aggregate benefit.

In closing, we would highlight that every scenario, and that most individuals, will find some uniqueness in their ultimate position or decision. We have attempted to shed light on the considerations with the intentional view that individual circumstances merit individual consideration that go beyond a generic paper such as this. While some rules of thumb may hold true, we encourage individuals to examine their respective situations in achieving optimum benefit responding to their particular circumstances and preferences.

43 Department of Finance (2008) – "Canada's Finance Ministers Meet to Discuss Global Financial Crisis."

Appendix
Characteristics of the TFSA – What is it and How Does it Work?

What is the TFSA	The TFSA is a registered savings account that allows taxpayers **resident** in Canada, 18 years of age or older having a Social Insurance Number (SIN), to earn investment income tax-free inside the account.
TFSA Contributions	- Contributions can begin January 2, 2009. Most of the financial institutions are already able to open TFSA accounts; however, contributions and other transactions are not permitted before January 2, 2009. Some banks are promoting the TFSA accounts by offering to pay the tax on the interest accumulated on the account should the investor decides to open the account between October 4 till December 31, 2008 when the earnings generated in the account become tax free. - For 2009 the maximum contribution limit is **$5,000**. This amount will be indexed to inflation and rounded to the nearest $500 on a yearly basis. - Unlike the RRSP, there is no age restriction on contributing to TFSA. - Unlike the RRSP, Canadian residents do not need to have earned income in order to make contributions to TFSA. - Contributions carry forward: if one does not make the maximum contribution one does not lose the contribution room. As with the RRSP, the unused contribution room gets carried over to the following year. There is no limit to how much contribution room can be carried forward.
In Kind Contributions	- In kind contributions to TFSA are allowed provided that the property is a qualified investment. The amount of the contribution will be equal to the fair market value of the property at the time of deposit.
Contributions by Non-residents	- As with the RRSPs, non-residents cannot generate TFSA room and no TFSA contributions are allowed during the non-residency period (assuming the contribution limit was already maxed out). - Any contributions made while the individual is a non-resident will be subject to a special tax of 1% per month on the contribution until the individual withdraws and designates the withdrawal as a withdrawal of the non-resident contribution. - Non-residents will be allowed to maintain their TFSAs and would not be taxed on any earnings in the account or on withdrawals.
Eligible Investments	- Cash deposits - Guaranteed Investment Certificates - Government and corporate bonds - Money market funds - Mutual funds - Publicly traded securities - Certain shares of small business corporations.

Appendix

Characteristics of the TFSA – What is it and How Does it Work?

TFSA Restrictions	- Holding investments are not permitted in any entities with which the account holder does not deal at arm's length (e.g. specified shareholder who holds 10% or more of shares of a corporation).
Notification on the TFSA Contribution Room	The CRA will determine TFSA contribution room (based on the information provided by issuers) for each eligible individual who files an annual T1 individual income tax return.
Attribution Rules	Attribution rules do not apply to TFSAs i.e. one can contribute to a spousal or children (older than 18 years old) to a TFSA without the income being attributed back to the contributor.
Withdrawals	- There is no age or other restrictions on withdrawals. - Any withdrawal from the TFSA account creates an equal amount of contribution room for the next year.
Taxation	- Contributions to a TFSA are not deductible for income tax purposes. - Investment income, including capital gains, dividends, or interest earned in a TFSA will not be taxed when withdrawn. - As with an RRSP, interest on funds borrowed to invest in TFSA will not be tax deductible. - Capital losses incurred on TFSA will not be tax deductible. - Over-contributions (for example, any amount over the $5,000 per person for the 2009 tax year) will be taxed at 1% per month for each month that the excess remains in the plan. - Penalties for holding ineligible securities in a TFSA will be significantly greater than the tax on over-contributions (i.e. 50% one-time tax of the fair market value of the non-qualified investment).
Other TFSA Features	- There is no restriction on how many TFSA accounts one has. However the annual contributions must be within the limit set for the respective year (e.g. $5,000 for 2009). - Unlike the RRSP, there is no maximum age restriction on contributing to a TFSA. - Contributions to a spouse TFSA is allowed. - TFSA will not affect eligibility for federal income-tested benefits or credits such as Canada Child Tax Benefit, the Working Income Tax Benefit, the GST tax credit, the age credit, Old Age Security benefits, the Guaranteed Income Supplement or Employment Insurance benefits. - TFSA transfer to spouse upon death.

Source: Department of Finance (2008) – The Budget Plan and Canada Revenue Agency – "Tax Free Savings Accounts", "Questions and answers about Tax Free Savings Account – Information for TFSA issuers."

References

1. Armine Yalnizyan – "What's in it for Women?", Canadian Centre for Policy Alternatives, March 13, 2008.
2. Benjamin Tal – "The New Tax-Free Savings Account: How Popular Will It Be?", Consumer Watch Canada, CIBC World Markets, September 11, 2008.
3. Canada Revenue Agency – "RRSP and Other Registered Plans for Retirement – 2007" http://www.cra-arc.gc.ca/E/pub/tg/t4040/t4040-07e.pdf
4. Canada Revenue Agency – Registered Education Savings Plans, http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/resp-reee/menu-eng.html
5. Canada Revenue Agency – Table 2A "Taxable returns by total income class for all Canada" http://www.cra-arc.gc.ca/gncy/stts
6. Canada Revenue Agency – Basic Table 11B "All returns with RRSP Contributions by Total income Class", Income Statistics 2007 for the 2005 tax year http://www.cra-arc.gc.ca/gncy/stts .
7. Certified General Accountants Association of Canada (CGA Canada), Issue in Focus (2008) – "How pressing is it to Revisit the treatment of capital gains?" – http://www.cga-canada.org/en-ca/ResearchAndAdvocacy/Pages/Reports.aspx
8. CGA Canada (2004) – "Addressing the Pensions Dilemma in Canada" – http://www.cga-canada.org/en-ca/ResearchAndAdvocacy/Pages/Reports.aspx
9. CGA Canada (2005) – "The State of Defined Benefit Pension Plans in Canada: An Update on the Pensions Dilemma in Canada" – http://www.cga-canada.org/en-ca/ResearchAndAdvocacy/Pages/Reports.aspx
10. CIBC – Pay Your Mortgage Down Faster: https://www.cibc.com/ca/mortgages/article-tools
11. Department of Finance (2008) – The Budget Plan
12. Department of Finance (2008) – Budget 2008 – "Tax Free Savings Account" pamphlet, page 1
13. Desjardins Financial Security Retirement Survey, 2007 – www.rethinkretirement.ca
14. Finn Poschmann, William B.P. Robson – "Saving's Grace: A Framework to Promote Financial Independence for Low-Income Canadians", C.D. Howe Institute, Backgrounder, No. 86, November 2004.
15. Her Majesty's Revenue and Customs , United Kingdom www.hmrc.gov.uk.isa
16. Her Majesty's Revenue and Customs, United Kingdom (2005) – "Individual Attitudes to Saving: Effect of ISAs on People's Saving Behavior"
17. Majesty's Revenue and Customs, United Kingdom – Individual Savings Account (ISA): Number of individuals holding ISAs by age – http://www.hmrc.gov.uk/stats/isa/table-9-11-05-06.pdf
18. Internal Revenue Service, United States Department of the Treasury www.irs.gov/pub/irs_pdf/p590.pdf;
19. Investment Company Institute – Research Fundamentals, July 2008, Vol. 17, No. 3

20. Investment Executive – “Financial planning more stressful than seeing dentist: survey”, February 21, 2005, www.investmentexecutive.com/client/en/News
21. Investors Group – “Half of Canadians missing out on TFSAs” – October 16, 2008, http://www.investorsgroup.com/english/aboutUs/news/2008/081016_missTFSA.shtml
22. Jean-Daniel Côté and Denis Dupont – “Canada’s new Tax-Free Savings Account”, Mercer Human Resources Consulting National, TFSA Roundtable Series, Fall 2008.
23. Jenna Robbins and Michael R. Veall – “Future Taxes on Pension Savings as a Government Asset”, C.D. Howe Institute, Backgrounder, No. 63, October 2002.
24. John Stapleton and Richard Shillington – “No Strings Attached: How The Tax-Free Savings Account Can Help Lower-Income Canadians Get Ahead”, C.D. Howe Institute, e-brief, September 30, 2008.
25. Jonathan Chevreau -“Most Canadians don’t understand new Tax Free Savings Accounts” – Financial Post, September 10, 2008.
26. Jonathan Kesselman, Finn Poschmann – “A new option for Retirement Savings: Tax-Prepaid Savings Plans”, C.D. Howe Institute, Commentary, No. 149, February 2001.
27. Morris Rosenthal – “How To Calculate Mortgage Payments”, 2008: http://www.fonerbooks.com/interest.htm
28. Organization for Economic Cooperation and Development – “Encouraging Savings Through Tax-Preferred Accounts”, Tax Policy Studies (2007), Vol. 15.
29. Organization for Economic Cooperation and Development (2008) – “Growing Unequal?: Income Distribution and Poverty in OECD Countries”
30. Organization for Economic Cooperation and Development (2008) – “Improving Financial Education and Awareness on Insurance and Private Pensions” – ISBN978-92-64-04638-2.
31. RBC Asset Management, RBC Investment Strategy Committee – “Recommended Asset Mix”, The Global Investment Outlook, Fall 2008.
32. RBC Royal Bank – Mortgage Payment Calculator: https://www.rbcroyalbank.com/cgi-bin/mortgage/mpc/start.cgi/start
33. Richard Shillington – “New Poverty Traps: Means-Testing and Modest-Income Seniors”, C.D. Howe Institute, Backgrounder, No. 65, April 2003.
34. Rob Carrick – “Watch out for fees on tax-free savings accounts” – Globe and Mail, December 2, 2008.
35. Ryan M. Luvisotto – “Tax-Free savings account, A good deal”, “Wealth and Tax Matters”, Fall 2008, PricewaterhouseCoopers
36. Scotiabank – Mortgage Payment Calculator: http://cgi.scotiabank.com/mortgage/payment.html
37. Statistic Canada (2007) – “The retirement plans and expectations of older workers”, Sept 9, 2008, General Social Survey Report Catalogue no. 11-008.
38. Statistics Canada (2008) – “Estimates of population, by age group an sex for July 1, Canada provinces and territories, annual (persons), CANSIM Table 051-0001.

39. Statistics Canada (2008) – Financial market statistics January 1998 – December 2007, CANSIM Table 176-0043
40. Suzanne Hall, Nick Pettigrew and Stephen Bell – “Saving in IASs Final Report 22/10/2007”, Research Study conducted for HMRC, 2007.
41. TD Canada Trust – Calculating Mortgage Payments: http://www.tdcanadatrust.com/cgi-bin/mortcalc.pl