

### TAX-FREE SAVINGS ACCOUNTS

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On February 26, 2008, federal Finance Minister Jim Flaherty tabled the 2008 federal budget. One of the elements contained in this budget was the introduction of *Tax-Free Savings Accounts*. We thought it would be useful to provide an overview of these to ensure you are aware of how they may benefit you and your family.

The Tax-Free Savings Account (TFSA) is designed in a way where it is likely to be more flexible than a Registered Retirement Savings Plan (RRSP). They should be used as a complement to your RRSP within your investment strategy.

Beginning in 2009, individuals who are Canadian residents over 17 years old can contribute up to \$5,000 annually to their TFSA. Every year, your (cumulative) unused contribution room may be carried forward indefinitely. Each time you draw funds from your TFSA, the drawn amount will be added to your cumulative contribution room to allow you to replenish the TFSA in the future. As always, excess contributions will be subject to a penalty tax which will amount to 1% per month.

Your contributions to your TFSA are not tax deductible. The benefit, however, is that the income earned in your plan will not be taxable and, similarly, all withdrawals will not be taxable. When preparing your personal income tax return, your net income is used by the Canada Revenue Agency to calculate your entitlement to various benefits such as the Child Tax Benefit, the Goods and Services Tax Credit, the age credit, OAS benefits, Guaranteed Income Supplement, and Employment Insurance benefits.

Draws from your TFSA will not be included in computing such benefits.

As is the case for RRSPs, interest paid on money borrowed to invest in a TFSA will not be deductible for tax purposes. There will be no prohibition in the Income Tax Act on an individual's ability to use their TFSA assets as collateral for a loan. Income attribution rules will not apply.

An individual's TFSA will lose its tax-exempt status upon the death of the individual, meaning investment income and gains that accrue in the account after the individual's death will be taxable.

However, if the individual names his or her spouse as the successor account holder, the account will maintain its tax-exempt status. The assets of a deceased individual's TFSA may also be transferred to a TFSA of the surviving spouse without any impact on that person's contribution room.

On breakdown of a marriage or common-law relationship, transfers of amounts may be made directly between the TFSAs of the parties without any impact on either party's contribution room.

An individual who becomes non-resident can still maintain a TFSA and continue to be exempt from taxation on income and withdrawals. However, no further contributions will be allowed and contribution room will cease to accrue.

When reviewing your investment strategy with your financial planner, we encourage you to consider TFSAs.



### This 'n That at Logan Katz...

#### Logan Katz in the Community

On February 26, **Jason Valente** and **Denis Chainé** spoke to a group of seniors, members of *Nepean Support Services*, in regards to common mistakes made by seniors in preparing their personal income tax returns.

On March 2<sup>nd</sup>, **Denis Chainé** presented a complimentary seminar on taxation and disability matters to a group of kidney patients at Logan Katz. Logan Katz has offered this seminar annually since 2000.

On March 13, Logan Katz was proud to offer complimentary personal tax return preparation to low-income earners, seniors, and individuals with disabilities at the *Ottawa South Community Centre* at our annual tax clinic. More than 20 individuals responded to our offer, and expressed warm appreciation for our involvement in this program. Every year, the Institute of Chartered Accountants of Ontario oversees this program through which thousands of low-income earners and seniors in Ontario benefit from complimentary personal tax preparation services. Logan Katz has been an annual participant in these tax clinics since 1994.

**Stacy Glenn** was recently appointed as Treasurer of the *Canadian Centre for International Justice*. For the sake of communities and individuals in Canada and abroad, and to contribute to the success of the international justice system as a whole, the CCIJ's mission is to ensure that those present in Canada and accused of committing war crimes, crimes against humanity, genocide and torture are brought to justice through international and domestic mechanisms, and their victims recognized, supported, and compensated.

### AS OF TODAY, MARCH 31, 2008, THE MINIMUM WAGES APPLICABLE TO ONTARIO EMPLOYERS ARE INCREASED TO THE FOLLOWING:

**General Workers Minimum Wage** - \$8.75 per hour;

**Liquor Server Minimum Wage** - \$7.60 per hour (note: applies to employees serving liquor directly to customers in licensed premises as a regular part of their work);

**Student Minimum Wage** - \$8.20 per hour (note: applies to students under age 18, if more than 28 hours a week are worked during the school year, the General Minimum Wage applies to all hours worked in that week);

**Homeworkers Minimum Wage** - \$9.63 per hour or 110 per cent of the general minimum wage (note: this wage applies to all homeworkers whether they are full-time or part-time, or students under 18 years of age; homeworkers are employees who do paid work in their own homes. For example, they may sew clothes for a clothing manufacturer, answer telephone calls for a call centre, or write software for a high-tech company.);

**Hunting and Fishing Guides** are paid for blocks of time, not by the hour. They get a minimum amount for working less than five consecutive hours in a day, and a different minimum amount for working five hours or more in a day-whether or not the hours are consecutive. For working less than five consecutive hours in a day: \$43.75. For working five hours or more in a day: \$87.50.

Questions or comments? Email us at  
office@logankatz.com or call  
613-228-8282 ext 0.