

## Revised 2016 Tax-Free Savings Account Limit

A Tax-Free Savings Account (TFSA) is a plan that allows eligible Canadians the opportunity to save for the future. Savings in the plan grow tax-free and monies withdrawn are not added to your taxable income for the year. There are many uses for a TFSA, including accumulation of emergency funds, saving for a large purchase, or retirement. It is important to stay current with the rules of the plan.

### Decrease to the 2016 TFSA contribution limit

On December 6, 2015, Federal Finance Minister Bill Morneau stated that effective January 1, 2016, the 2016 TFSA contribution limit will be reduced to \$5,500 from \$10,000 and indexed to inflation thereafter.

### What does this change mean to you

While the 2016 limit is decreasing, the 2015 maximum is not being changed and will always be included in your cumulative total TFSA contribution room. This means, for example:



- if you have not contributed to a TFSA previously, you would have a cumulative maximum of \$41,000 contribution room for 2015;
- if you have contributed the maximum amount to your TFSA in past years but have not contributed in 2015, you would be allowed to contribute up to a combined maximum of \$15,500 in 2016 (\$10,000 for 2015 and \$5,500 for 2016); or,
- if you have already made the cumulative maximum contribution amount of \$41,000 as of the end of 2015, you would only be allowed to contribute \$5,500 in 2016 and future years.

### The impact of over-contributions

As always, Canadians need to ensure the amount of their TFSA contributions does not exceed their allowed maximum. The penalty for an over-contribution is 1% per month on the amount contributed in excess of the limit.

If you have any questions about this change, or about the role of a TFSA in your overall financial plan, we encourage you to speak to your financial advisor or contact Reuter Benefits by phone at 1-800-666-0142 or email [retire@reuterbenefits.com](mailto:retire@reuterbenefits.com). As well, more information about this recent change is accessible on the Department of Finance website at <http://www.fin.gc.ca/fin-eng.asp>.