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**Tax-Free Savings Account** 



“As a new general-purpose savings account, the TFSA will provide an additional tax-efficient savings vehicle for Canadians that complements existing registered savings plans. Introducing the TFSA will provide Canadians access to a complete set of tax-efficient savings vehicles to meet their various savings needs.”

• Canada Revenue Agency, 2008 Budget Announcement  
<https://www.budget.gc.ca/2008/plar/chap3b-eng.html>

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**TFSA General Requirements** 



- Effective January 2009
- Individual  $\geq$  18 years old (but not a trust)
- Need a SIN (Social Insurance Number)
- Accumulated \$63,500/yr contribution limit
  - Annual contribution room now \$6,000 indexed from \$5,000 to nearest \$500
  - amounts withdrawn added to contribution room
  - excess contribution subject to 1% tax/mo.
- New incentive to save for all eligible Canadians

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**TFSA Key Features** 

**Deposits and Growth** 

- \$6,000 annual contribution limit (accumulative)
- Interest, Capital Gains and Dividends – Tax-free
- Unlimited carry-forward of unused contribution room
- Qualified investments the same as for RRSP
- More than one TFSA allowed within the annual contribution limit

**Withdrawals**

- Available for withdrawal at any time for any purpose
- Will not affect accumulated contribution room
- Can recontribute amounts withdrawn (unlike RRSP)
- Do not affect federal income-tested benefits

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**TFSA Added Benefits** 

- Income, losses, gains, withdrawals not included in
  - income tax calculations
  - determining eligibility income-tested benefits or credits
    - OAS (Old Age Security)
    - GIS (Guaranteed Income Supplement)
    - CCB (Canada Child Benefit)
    - GST credit
    - Employment Insurance Benefits

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**TFSA Things to Remember** 

- No deduction on borrowing to invest
- Contribution room includes withdrawals not just indexed deposits
- No non-arms length investments (specified shareholder or where 10%+ ownership interest)
- Withdrawals can only be re-invested in the following year
- Cannot claim capital losses on a TFSA investment

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**TFSA Estate Maximizer**


- Newly launched in 2019
- Available in AddCalc

**NEW!**

**MAXIMIZE THE ESTATE VALUE OF YOUR TFSA!**



Since the introduction of the Tax Free Savings Account (TFSA) over a decade ago, Canadians have taken advantage of the opportunity to accumulate savings for their future. Since January 1, 2018, an additional contribution cap has been added to the TFSA, increasing the total contribution limit from \$50,000 to \$60,000. This new opportunity allows Canadians to increase the estate value of the funds in their TFSA.

**How it works:** The TFSA Estate Maximizer is a limited-pay participating whole life insurance policy that allows you to contribute up to \$5,000 per year to your TFSA. The contributions are used to pay the life insurance premiums. The policy is designed to provide a tax-free death benefit to your beneficiaries. The policy is also designed to provide a tax-free death benefit to your beneficiaries. The policy is also designed to provide a tax-free death benefit to your beneficiaries.

Year	Annual Contribution	Total Contributions	Death Benefit
Year 1	\$5,000	\$5,000	\$100,000
Year 2	\$5,000	\$10,000	\$200,000
Year 3	\$5,000	\$15,000	\$300,000
Year 4	\$5,000	\$20,000	\$400,000
Year 5	\$5,000	\$25,000	\$500,000

**Key Features:**

- Each benefit year is \$5,000 in contributions or TFSA. A annual deposits amount equal to \$100,000 (\$50,000 x 2).
- The policy is designed to provide a tax-free death benefit to your beneficiaries.
- The policy is also designed to provide a tax-free death benefit to your beneficiaries.
- The policy is also designed to provide a tax-free death benefit to your beneficiaries.

**Important Information:**

- The policy is designed to provide a tax-free death benefit to your beneficiaries.
- The policy is also designed to provide a tax-free death benefit to your beneficiaries.
- The policy is also designed to provide a tax-free death benefit to your beneficiaries.

**Disclaimer:** This presentation is for informational purposes only. It is not intended to constitute an offer of insurance. Please contact your advisor for more information.

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**The Strategy**


- Allow clients to maximize their estate value by:
  - Utilizing the accumulated value in their Tax Free Savings Account (TFSA) and the annual contribution as life insurance premiums
  - Providing tax free death benefit for beneficiaries outside of their estate to help minimize probate fees



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**How it Works**


- Allocate the value in the TFSA as insurance premiums for a limited-pay participating whole life policy
- Apply annual TFSA contributions to life policy as premiums
- Once the life policy becomes paid up, re-direct the annual contribution to TFSA



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### Target Market



- Clients ages 50 + who:
- Contribute to a TFSA as part of their estate planning for their heirs
- Want to maximize their legacies and pass them to their heirs or favorite causes when they die

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### TFSA Estate Maximizer

#### Case Study #1

- Jack and Jane, a retired couple aged 63 and 59, non-smokers, have \$130,000 accumulated in a TFSA. They want to leave the TFSA as part of their legacies to their children and grandchildren. They have other investments that will generate sufficient retirement income so they plan to continue their maximum TFSA contributions every year.

"We took our advisor's advice and purchased a Joint-last-to-die Empire Life EstateMax® 8-pay participating whole life insurance. We pay the same amount each year but the policy generates higher estate value. Not only we have the flexibility to use the cumulative TFSA room if we have extra money, since the tax free insurance death benefit is not part of our estate, it also helps minimize the probate fees!"



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### TFSA Estate Maximizer

Presentation for Client 1 and Client 2

**STRATEGY ASSUMPTIONS**

**Insureds**  
 Joint Insured #1: Jack Smith, Male, Age 63, Non-Smoker  
 Joint Insured #2: Jane Smith, Female, Age 59, Non-Smoker

**Product**  
 Name: \$541,685 EstateMax, Joint Last-To-Die Annual Premiums: (\$ years)

**Other Details**  
 Maximum annual TFSA deposit is \$6,000 per person: \$12,000  
 Transfer of Balance to TFSA: \$16,250 (transfer of balance for first 8 years)  
 Total Annual 8-Pay Premium: \$28,250

**Special Notes**

Withdrawals from the policy may be subject to income tax, depending on the adjusted cost base (ACB) of the policy, at the time of withdrawal. However, the proceeds of a life insurance policy upon death of the insured are received tax-free to the beneficiaries.

TAX-FREE SAVINGS ACCOUNT (TFSA) MAXIMIZATION STRATEGY

\*Comparison of a \$541,685 EstateMax® 8 pay joint last to die with Enhanced Dividend option to a TFSA investment at a 3.5% annual interest rate for a 63 year old male non-smoker and 59 female non-smoker. Projected value for EstateMax® is based on current dividend scale -1%. Dividends for EstateMax® are not guaranteed. They can go higher or lower.

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### TFSA Estate Maximizer

**Case Study #2**

- Brad and Angie, are still working, putting their children through college and finishing paying off their mortgage. While saving and providing a legacy is important to them, they have not been able to maximize their TFSA contributions. They are each contributing \$3,000 per year and have accumulated \$60,000 between them. They are age 55 and 50 respectively and healthy non-smokers. They plan to continue their current level of TFSA contributions until their mortgage is paid off then hope to catch up on the accumulated contribution room.

“Since access to cash is important to us, our advisor recommended we buy an Empire Life Optimax® joint-last-to-die, 8-pay participating whole life insurance policy. Our cash flow has not gone up but we have a lot bigger legacy for our children. While we are using our current TFSA we will have access to cash from the Optimax® policy if we need it. Plus we can catch up on all the accumulated TFSA contribution room once the policy and our mortgage is paid off.”

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### TFSA Estate Maximizer

Presentation for Brad and Angie

**STRATEGY ASSUMPTIONS**

**Insureds**  
 Joint Insured #1: Brad, Male, Age 55, Non-Smoker  
 Joint Insured #2: Angie, Female, Age 50, Non-Smoker

**Product**  
 Name: \$383,717 Optimax Wealth, Joint Last-To-Die Annual Premiums (8 years)

**Other Details**  
 Maximum annual TFSA deposit is \$6,000 per person..... \$6,000  
 Transfer of balance in TFSA..... \$7,500  
 (transfer of balance for first 8 years)  
 Total Annual 8 Pay Premium..... \$13,500

TAX-FREE SAVINGS ACCOUNT (TFSA) ESTATE MAXIMIZER

\*Comparison of a \$383,717 OptimaxWealth® 8 pay joint last to die with Enhanced Dividend option to a TFSA investment at a 3.5% annual interest rate for a 55 year old male non-smoker and 50 female non-smoker. Projected value for OptimaxWealth® based on current dividend scale. Dividends for OptimaxWealth® are not guaranteed. They can go higher or lower.

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### TFSA Estate Maximizer

Presentation for Brad and Angie

EXECUTIVE SUMMARY SYNOPSIS

Policy year	Estate Value		Comparison		Equivalent Return (%)
	TFSA Maximizer Estate Value	TFSA Estate Value	Difference TFSA Maximizer Estate Value vs TFSA Estate Value	TFSA Maximizer Estate Value % Increase over TFSA Estate Value	
10	\$405,722	157,486	248,234	157.62 %	20.21 %
20	\$487,609	295,004	192,605	65.29 %	7.62 %
30	\$700,785	488,984	211,801	43.31 %	5.45 %
40	\$1,023,596	762,613	260,985	34.22 %	4.68 %
50	\$1,488,958	1,148,593	340,365	29.63 %	4.32 %

Values shown are at end of policy year and are for illustrative purposes only. Any non-guaranteed portion of the Total Cash Surrender Value and Total Coverage Amount depends on the annual dividends that are declared on the policy, which are not guaranteed, and values shown assume dividends are declared each year using Empire Life's current dividend scale.  
 Account values shown for investment accounts are at the end of the policy year and are for illustrative purposes only. These values, which are not guaranteed, assume interest rate paid remains consistent over the entire investment term.

**At the end of year 10, the insurance strategy generates 158% higher estate value for Brad and Angie!**

\*Comparison of a \$541,685 EstateMax® 8 pay joint last to die with Enhanced Dividend option to a TFSA investment at a 3.5% annual interest rate for a 63 year old male non-smoker and 59 female non-smoker. Projected value for EstateMax® is based on current dividend scale -1%. Dividends for EstateMax® are not guaranteed. They can go higher or lower.

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Getting Started



- Review AUM – Identify 10 prospective clients
  - Uses the advisor worksheet to determine potential premiums
- Run AddCalc TFSA Estate Maximizer sales concept

The image shows a worksheet titled 'EMPIRE LIFE TFSA MAXIMIZER ADVISOR WORKSHEET'. It contains a table with columns for 'Prospective Name', 'Age', 'Income', 'Assets', and 'Liabilities'. Below the table, there are sections for 'Notes' and 'Comments'. The worksheet is designed to help advisors track and evaluate potential clients for the TFSA Maximizer product.

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TFSA ESTATE MAXIMIZER

Questions?

Past performance is no guarantee of future performance.

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A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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