

managed the policy research program of the National Advisory Council on Aging, and was a founding member of the Advisory Board of the Canadian Institutes of Health Research-Institute of Aging.

The topic of Elder Travel will also be explored in a presentation by Sonia Ouellet, Director General of the Association of French Speaking Jurists of Ontario (AJEFO). Specifically, this presentation will examine the benefits and disadvantages of organizing a trip through a travel agency or through the Internet; discuss security measures to be taken before departure; provide information regarding destination, insurance, passport and/or visa requirements; and finally, information on the new rules regarding items allowed in airports.

We invite you to join us for these two most interesting presentations.

TAX-FREE SAVINGS ACCOUNTS



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The Tax-Free Savings Account (TFSA) program came into effect on January 1, 2009. It is the single most important personal savings vehicle since the introduction of RRSPs and

will be extremely beneficial for federal government retirees.

Here's a short summary of how it works (for details see www.tfsa.gc.ca):

- Each Canadian resident age 18 or over can contribute up to \$5,000 annually in a TFSA. In addition, the unused TFSA contribution room can be carried forward to future years.
- Unlike RRSPs, contributions to a TFSA are not deductible for income tax purposes. **However, investment income, including capital gains, earned in a TFSA is tax-free even when the funds are withdrawn.**
- In addition, the amount withdrawn can be put back in the TFSA in a later year without reducing your contribution room.
- TFSAs are managed much like RRSP accounts---your financial institutions will record all your contributions and withdrawals and report them to Canada Revenue Agency.

As the years go by this program should play an increasingly important role in an individual's overall financial planning. Just think, over a 20-year period one can contribute up to \$100,000 to the TFSA. With a 5% compound annual return on the contributions this would grow to \$173,600 over the 20-year period, all

of which can be withdrawn tax-free. And, of course, this amount would be double for a married couple. Thus, this program will also have major implications for estate planning.

A key TFSA advantage is that it allows you to choose among a broad range of investment options, including stocks and equity mutual funds. You are not limited only to investing in low return instruments such as savings accounts, guaranteed investment certificates or bonds---- all of which are currently yielding historically low returns. Thus, federal government retirees are very well placed to take maximum advantage of the TFSA program. Since our federal pension provides a "safety net" for life's necessities we can typically take a longer-term horizon when investing. Depending on our risk tolerance and investment horizon, this allows us to have the flexibility to choose a greater proportion of our investments in stocks and equity mutual funds that reflect a greater degree of volatility and a higher potential for return. Despite the unprecedented drop in the stock market during the past year, as at July 31, 2009, the compound annual rate of return on the Toronto Stock Exchange Total Return Index was 6.6% over the past 5 years, and 6.2% over the past 10 years.

Whatever your goals and however you wish to invest, this is a very beneficial program for FSNA members and, indeed, all Canadians. We recommend that you seek financial advice on the best way to take

advantage of a Tax Free Savings Account and to incorporate this program as an integral part your personal investment, estate and tax planning.

***Note:** The facts and opinions expressed in this article are those of the author, Robert Todd; they should not be understood to necessarily reflect the policy or opinion of the FSNA Ottawa Branch.*

Robert Todd is an FSNA member and a Director of Tradex, an Ottawa-based Member of the Mutual Fund Dealers Association of Canada. Tradex was established in 1960 by employees of the Departments of Trade and Commerce and of External Affairs. Its services are available exclusively to current and retired public sector employees and their family members. Their web address is www.tradex.ca.

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