

## **Manulife Mutual Funds**

### **Frequently Asked Questions about Tax-Free Savings Accounts (TFSA)**

**1. Who can open a Tax-Free Savings Account?**

Tax-Free Savings Accounts are available to Canadian residents who are 18 years of age and older and have a Social Insurance Number.

Note: A stand-alone MMF TFSA application form is required for all client-name account set-ups.

**2. How much money can be put into a Tax-Free Savings Account?**

The amount of Tax-Free Savings Account contribution room allocated in 2009 is \$5,000. The amount of new contribution room allocated each year will be determined by indexing \$5,000 to inflation and rounding to the nearest \$500. This amount will be calculated and announced by the Federal government each year.

**3. What happens if I don't use the whole \$5,000 contribution room in 2009?**

You will not lose any of your unused contribution room. It will be carried forward.

**4. Do I have to save the money in the account for a certain period of time or only use it for specific purposes?**

No. The money in a Tax-Free Savings Account can be used at any time for any purpose.

**5. If a withdrawal is made from a Tax-Free Savings Account, does that create new room for more contributions?**

If a withdrawal is made from the Tax-Free Savings Account, the contribution room is not lost. However, the account holder may not re-contribute the amount withdrawn by making a deposit in the same year (unless they have unused contribution room available). The withdrawn amount will be added to the available contribution room allocated for the next year.

For example, if an account holder contribute \$5,000 in their Tax-Free Savings Account in April 2009 and withdraws \$1,000 in September 2009, the \$1,000 will be added back to their contribution room for 2010. So they will not be able to re-contribute the \$1,000 until 2010, in addition to the \$5,000 allocated for 2010 (assuming no indexing).

**6. Are the Tax-Free Savings Account contributions tax deductible, like RRSP contributions?**

No. Tax-Free Savings Account contributions are not deductible from taxable income reported in your tax returns.

**7. What is "tax-free" about the savings account, why are they called that?**

The income earned within a Tax-Free Savings Account up to the time of death (including interest on savings and capital gains and dividends on investments) will not be taxed by the government. This is unlike other savings accounts where the income is taxed when credited to, or withdrawn from, the accounts.

**8. What happens when money is withdrawn from a Tax-Free Savings Account, are the taxes due then?**

No. Taxes are not normally charged on the income generated (some exceptions apply after the death of the holder) within a Tax-Free Savings Account.

**9. What happens if the account holder deposits more into their Tax-Free Savings Account than is allowed by their contribution limit for that year?**

If the account holder deposits more than their contribution limit for a calendar year, the Canada Revenue Agency will charge a monthly penalty of 1% on the highest excess amount at any time in that month.

**10. Can one person have more than one Tax-Free Savings Account?**

Yes. Each eligible person can have more than one Tax-Free Savings Account at more than one financial institution as long as the total amount of contributions made for that person does not exceed their unused contribution room for that year.

**11. Can someone make a contribution to their spouse's Tax-Free Savings Account?**

No, you may not contribute directly to your spouse's Tax-Free Savings Account. That said, you may give your spouse/common-law partner funds to contribute to a Tax-Free Savings Account without causing a negative impact (income attribution rules will not be triggered).

**12. What is the difference between a successor holder and a beneficiary?**

A TFSA holder can elect to name a successor holder to take over ownership of the TFSA upon their death. A successor holder must be the holder's surviving spouse or common-law partner. On the other hand, a beneficiary would be entitled to the proceeds of the settlement of the TFSA upon the holder's death. In the instance where a beneficiary is named, the account would be closed upon the settlement of the deceased's TFSA.

NOTE: The validity of a successor holder or beneficiary designation is subject to provincial laws and the plan holder is responsible to ensure that such designation is effective in their situation.

**13. Will all Manulife Mutual Funds be eligible investments for Tax-Free Savings Accounts?**

All Manulife Mutual Funds currently available for sale to the retail public and offered through our Simplified Prospectus will be eligible for Tax-Free Savings Accounts.

**14. From which account types will investors be permitted to transfer funds into a Tax-Free Savings Account?**

Investors will be permitted to transfer funds to a Tax-Free Savings Account from the following account types (not including TFSA to TFSA):

- Non-registered
- Registered Retirement Savings Plan
- Unlocked funds from a Locked-in Registered Retirement Savings Plan
- RRIF/LIF/LRIF/PRIF (subject to maximum withdrawal limit where applicable)
- RESP (capital withdrawals in some instances)

**15. Where can I find out more information about Tax-Free Savings Accounts?**

You can speak to a Manulife Mutual Funds Service Representative at 1-888-588-7999 if you have any questions about Tax-Free Savings Accounts. You can also visit the Canada Revenue Agency website at [www.cra.gc.ca](http://www.cra.gc.ca).