

Frequently Asked Questions about Tax-Free Savings Accounts

1. When will Tax-Free Savings Accounts be available?

The Tax-free Savings Account will be available in January 2009 with Manulife Segregated Fund contracts*, Manulife Investments GICs**, Manulife Mutual Funds, Manulife Bank and Manulife Securities.

2. Who can open a Tax-Free Savings Account?

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

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

The amount of new Tax-Free Savings Account contribution room allocated in 2009 will be \$5,000. The amount of new contribution room allocated each year after that 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.

4. What happens if I don't use the whole \$5,000 contribution room this year?

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

5. 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.

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

No. Tax-Free Savings Account contributions are not deductible on income 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 This is unlike other savings accounts where the income is taxed when credited to, or withdrawn from, the accounts.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 What happens when money is withdrawn from a Tax-Free Savings Account, are the taxes due then?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 within a Tax-Free Savings Account.

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

Yes and no. 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 However, the account holder may not re-contribute the amount withdrawn by making a deposit in the same year (unless he or she has unused contribution room available). The withdrawn amount will be added to the available contribution room allocated for the next year.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 deposits \$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-deposit the \$1,000 until 2010, in addition to the \$5,000 allocated for 2010 (assuming no indexing).

10. 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.

11. 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 contribution room for that year.

12. Can someone give their spouse money to contribute to a Tax-Free Savings Account?

Yes. You may give your spouse funds to contribute to a Tax-Free Savings Account without causing a negative tax impact (income attribution rules will not be triggered). However, you may not contribute directly to your spouse's Tax-Free Savings Account.

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

You can speak to your Manulife Advisor if you have any questions about Tax-Free Savings Accounts. You can also visit the Canada Revenue Agency website at www.cra.gc.ca. If you type "tfsa budget" in the red search bar and click "Search," you will find a lot of information about Tax-Free Savings Accounts.

**The GIF Manulife Investment Account (MLIA) will not be eligible for TFSA until later in 2009.*

*** Manulife Investments GIC Basic non-cashable account is not eligible.*