• Scotiabank
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Make the most of the new Tax-Free Savings Account

TFSA highlights

- Maximum contribution: $5,000 a year
- Unused contribution room: carried forward indefinitely
- Earnings: tax-free
- Withdrawals: tax-free
- Contribution limit: Increases by any amount withdrawn the previous year
- Usage: short-term, medium-term and long-term investments

In the 2008 budget, the government of Canada introduced a brand new personal savings vehicle, the Tax-Free Savings Account (TFSA), to help you save for different purposes throughout your lifetime.

This new account is being considered the most important personal savings vehicle for Canadians since the introduction of the RRSP back in 1957.

As of January 2009, you will be able to start contributing into a TFSA, which can hold any combination of eligible investment vehicles, such as cash, stocks, bonds, GICs and mutual funds, the growth of which will be sheltered from tax.

To make the most of the TFSA, let's explore how it works.

What you need to know

Each year, you can contribute an amount up to your contribution limit for the year. Your contribution limit is determined as follows:

- Each year you will be able to contribute up to $5,000 to your TFSA.
- Any withdrawals made in the previous year will be added to your contribution limit for the current year.
- Unused contribution room from previous years is added to your contribution room for the current year.

The federal government will be responsible for reporting your TFSA contribution limits.

What are the benefits of a TFSA?

A TFSA allows you to set money aside in eligible investments and watch those savings grow tax-free throughout your lifetime. Your TFSA savings can be withdrawn from your account at any time, for any reason, and all withdrawals are tax-free.

Capital gains and other investment income earned in a TFSA will not be taxed. That means if you were to contribute $5,000 each year at an annual interest rate of 6.00% for 3 years, you would enjoy $1,583 of investment income tax-free.

Why is a TFSA right for me?

There's something for everyone with a TFSA and your *Scotia* advisor can tailor a TFSA to your goals. Here are some of the ways that you can take advantage of this new savings vehicle:

Are you looking to save for a rainy day?

A TFSA is an ideal all-purpose savings account that offers complete flexibility to save for a multitude of purposes in one account. You can withdraw your money when you need it and your savings build up over time, tax free.

Do you have non-registered investments?

A TFSA is ideal if you have a non-registered investment portfolio. It allows you to turn taxable income into tax-free income for life by creating a more tax efficient investment portfolio. This enables you to maximize your investment growth.

Are you retired or earning a pension income?

A TFSA is ideal for excess RIF or pension income. It provides the ability to tax shelter non-registered GIC interest income, won't claw-back government benefits, and there is no maximum age limit.

The TFSA is an innovative new addition to the tools available to help you reach your financial goals. Your *Scotia* advisor can help you determine the best way to integrate it with your existing RSP or RIF, RESP, and non-registered holdings to maximize the effectiveness of your investments.

Your fall savings-and-investment check-up

Most people take their car in for regular tune-ups, have their teeth checked once or twice a year, and go for an annual medical exam. But how many of us make sure that our finances benefit from an annual checkup?

Probably not very many. To help you give your financial health a quick review, here are our five "best practices" that can help you stay on track in any market environment and at any life stage.

1. Save regularly. Paying yourself first is the key to making sure you reach your savings targets. The easiest way is to commit to an automatic contribution plan. There are other benefits, too — see Page 4 to learn more.

2. Diversify. Not all types of assets move in the same way at the same time. For example, stocks may be the top performers one year and bonds the next. Or maybe Canadian investments are doing well, while U.S. or European assets are just holding steady. By holding a range of investments from different regions, asset classes, and economic sectors, you benefit no matter which one is leading the way.

3. Make a budget. How much money slips unnoticed through your fingers every month? The best way to find out, and stop the cash flow leak, is to make a budget. Write down everything you spend money on, from mortgage or rent, to car payments, to your daily coffee at work. Do your current spending habits reflect your real priorities? If not, then you may want to adjust your behaviour.

4. Build an emergency fund. Would your family take a financial hit if you were to unexpectedly lose your job? What if you were suddenly faced with a major home repair, like a new roof? These things happen, which is why it's a good idea to have an emergency fund — a source of secure, easily accessible funds that you can draw on in case of an emergency.

5. Get professional advice. Just as most people rely on a mechanic to keep their car running efficiently, the most effective way to make sure your finances are in top shape is to get an objective evaluation from a professional.

How healthy are your finances? To find out, make an appointment to see your *Scotia* advisor today or visit any branch for a Second Opinion.

Investing in clean energy

With global climate change an issue of increasing concern, the energy industry is actively seeking more environmentally friendly alternatives to fossil fuels. From an investing perspective, this trend is opening up exciting opportunities in new industries. The Environmental, Social, and Governance team of Boston-based State Street Global Advisors Limited (advisors to the Scotia Global Climate Change Fund) has identified the following distinct themes that may yield investment opportunities.

Clean fuels and agriculture. This theme includes companies developing technologies for producing fuels that emit less harmful greenhouse gases, such as ethanol (made from corn-based and sugar-cane-based alcohol) and renewable bio diesel (made from vegetable oil). It also includes companies that produce products and services that enhance agricultural yields.

Clean technology and efficiency. Companies in this category are creating ways to produce power with little or no waste or with byproducts that have other uses. Examples are carbon capture and storage (CCS), which aims to capture carbon dioxide and other harmful emissions from fossil fuels and store them underground rather than releasing them into the atmosphere, and integrated gasification combined cycle (IGCC), a process where a gas-fired turbine produces electricity and the waste heat is used to make steam and produce additional electricity.

Efficient transport. As the cost of fuel rises, the auto, trucking, and marine industries are all looking for ways to enhance fuel efficiency. Companies that can produce new, fuel efficient technologies for these industries should benefit, as should the environment as a result of reduced greenhouse gas emissions.

Environmental finance. Environmental-finance companies are developing the infrastructure — securities exchanges, project sponsors, insurance companies, and lenders — needed to support a global carbon market.

Power merchants and generation. This theme focuses on existing utilities, such as nuclear energy plants and natural-gas power plants, that have low greenhouse gas emissions but are currently not operating at capacity or are not cost-competitive with fossil fuels like coal.

Power technology. This theme includes technologies that enable companies to produce, distribute, or store power more efficiently, for example, by reducing energy loss during transmission.

Renewable energy. Sunlight, wind, hydro, and geothermal heat are naturally replenished energy sources that give off few or no harmful emissions. Companies that manufacture wind turbines or solar modules would fall under this category.

Sustainable living. Opportunities in this theme span numerous economic sectors but the healthcare and communications industries are most attractive.

Water. Access to clean water is already at crisis proportions in much of the developing world. Utilities and water treatment facilities, as well as companies that manufacture testing and conservation equipment, are likely to prosper as demand increases. Desalination, a process that removes excess salt and minerals from water for fresh water conversion, may present opportunities as well.

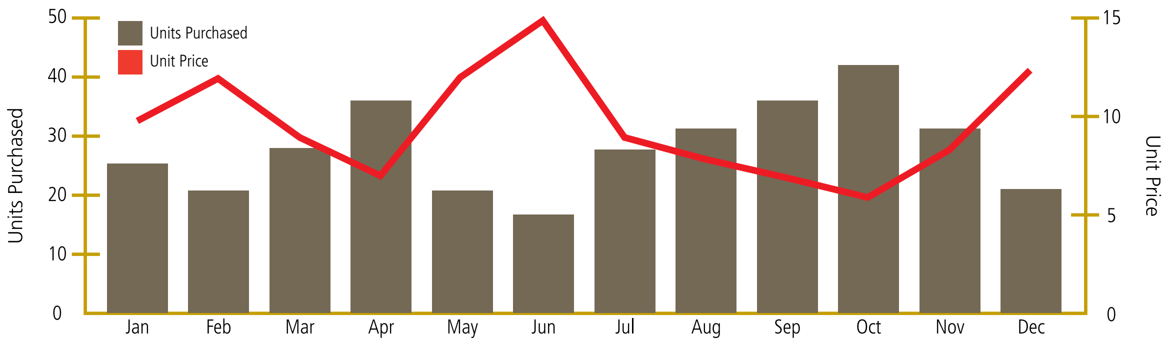
If you'd like to invest in companies that are best positioned to profit from adaptation to and mitigation of climate change effects, talk to your *Scotia* advisor about the Scotia Global Climate Change Fund.

How pre-authorized contributions can help you reach your goals

What would you say is the best time to buy mutual funds? You might think that the answer is to buy when the price is low and sell when the price is high. Unfortunately, it's impossible to know in advance when a price is as low as it's going to go or as high as it's going to get.

A far more efficient, and less stressful, way to invest is to buy mutual funds on a regular schedule. You'll buy more fund units when the price is low, and fewer when the price is high, which can help reduce the average price you pay (see Chart, below).

Even better, your investment will continue to grow steadily as the units you have grow in value and you add to them over time. And this strategy is effective whether you're contributing a little or a lot, and whether you've just started to invest or have been investing for years.



The above graph is for illustration purposes only, and does not represent the performance of the actual mutual fund.

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