By the end you will be able to...

- Explain what a TFSA is and how it differs from a savings account.
- Know whether you can open one and how much you can contribute in 2026.
- Avoid the mistakes that cost money (over-contributing, withdrawing and re-depositing wrongly).
- Choose your next step with your own calculator.

1 What is a TFSA?

The **TFSA** (Tax-Free Savings Account; **CELI** in French and in Quebec) is, according to the CRA, a registered savings account that functions like an investment account.[1] The interest, dividends and capital gains it earns are generally tax-free, and you can take money out whenever you want without paying tax.[1]

KEY IDEA

A TFSA is an account, not an investment. Inside it you can hold cash, GICs, funds or stocks. That is why the word “savings” can be misleading: what you earn depends on what you put inside.

- **It grows tax-free:** what your investments earn is not reported.
- **You withdraw whenever you want:** tax-free and for any reason.
- **You contribute with after-tax money:** unlike an RRSP, what you deposit is not deducted from your income.[1]

2 Who can open one, and how?

To open a TFSA you must meet three requirements:[2]

- Be a **resident of Canada** for income tax purposes.
- Be **18 or older**. In some provinces and territories (British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, the Northwest Territories, Nunavut and Yukon) the age of majority is 19: you open the account at 19 and keep the room from the year you turned 18.
- Have a valid **Social Insurance Number (SIN)**.

1 Choose where to open it

Banks, insurance companies, credit unions and trust companies issue TFSAs, with different savings and investment options.[2]

2 Give your details

Your SIN, your date of birth and any documents the institution asks for.[2]

3 Decide what goes inside

A TFSA can be a cash account or hold investments. That choice is what sets your return and your risk.

IF YOU ARRIVED RECENTLY

If you are a new resident aged 18 or older, your contribution room starts to build from the day you become a resident, not from 2009.[3]

3 How much can I contribute?

Everyone gets the same **annual limit**. It is set every January 1, indexed to inflation and rounded to the nearest $500.[3] Room you do not use **carries forward** and never expires.

Years	Annual limit
2009 to 2012	$5,000
2013 and 2014	$5,500
2015	$10,000
2016 to 2018	$5,500
2019 to 2022	$6,000
2023	$6,500
2024, 2025 and 2026	**$7,000**

WHAT IS THE MAXIMUM ACCUMULATED?

Someone who was 18 and living in Canada since 2009 has accumulated **$109,000** through 2026. If you arrived later, your total starts when you became a resident.

Your available room is calculated like this:[4]

- the year's limit
- + unused room from previous years
- + what you withdrew last year
- – what you have already contributed this year

If you have more than one TFSA, there is **one single room** for all of them.[3] The CRA updates your account information only once a year, in the spring, so keep your own records and confirm with your institution before you contribute.[4]

4 What can I hold inside?

Permitted investments are generally the same as in an RRSP:[3]

- Cash and savings accounts
- GICs (fixed-term deposits) and bonds
- Mutual funds
- Shares and other securities listed on a designated stock exchange
- Shares of certain small business corporations

WATCH OUT FOR NON-PERMITTED INVESTMENTS

If your TFSA holds a prohibited or non-qualified investment, you pay a **50%** tax on its fair market value. In addition, “advantages” (for example, a loan or a benefit tied to the account) are taxed at **100%**.[7] Before buying anything unusual, confirm that it is eligible.

5 Benefits

- **Tax-free growth:** interest, dividends and capital gains.[1]
- **Tax-free, unrestricted withdrawals:** for an emergency, a home, a trip or retirement.[1]
- **It does not affect your government benefits:** income and withdrawals do not change your eligibility for Old Age Security (OAS), the federal supplement for low-income seniors (GIS), Employment Insurance, the Canada Child Benefit, the Canada Workers Benefit or the GST credit.[1]
- **Room carries forward:** what you do not use today is still available tomorrow.[3]
- **Continuity on death:** you can name a successor holder so the account continues tax-free (Quebec uses a beneficiary instead).[9]

6 Limits and common mistakes

Limit	What it means
Not deductible	What you contribute does not reduce your taxable income. The advantage is in the growth and the withdrawals.[1]
Over-contributing	The excess is taxed at **1% per month** while it stays in the account. The fix: withdraw the excess as soon as possible and report it.[6]
Withdrawing and re-depositing in the same year	What you withdraw returns to your room only on **January 1 of the next year**. If you re-deposit sooner and have no room, it is an excess.[5]
Switching institutions by withdrawing	Withdrawing and depositing at another institution counts as a new contribution. Use a **direct transfer**.[8]
Ceasing to be a resident	Contributions made as a non-resident are taxed at 1% per month. You can withdraw tax-free, but not contribute.[3]
Non-permitted investments	50% tax, and 100% on advantages (see above).[7]

Limit	What it means
Asset-tested programs	Some provincial programs look at your assets. For example, Quebec's Shelter Allowance counts your TFSA balance.[10]

7 Withdrawals, transfers and death

Withdrawals. You request them from the institution that issued your TFSA, and you can generally do so at any time of the year. The institution reports withdrawals to the CRA by the end of February of the following year.[5]

Transfers. To move your TFSA to another institution, ask the *new* one to make a direct transfer: it does not affect your room or create tax, and it can be in kind, in cash or partial. If instead you withdraw $50,000 and deposit it yourself at another bank in the same year, the CRA treats it as a $50,000 excess: $500 per month.[8]

Separation or divorce. With a court order or a written separation agreement, and if you live separate and apart, money can move from one spouse's TFSA to the other's as a direct transfer, without affecting either person's room.[8]

Death. If you named a successor holder, the account continues in their name; its value on the date of death and what it earns afterwards are not taxed to the successor. Quebec does not recognize successor holders and uses a designated beneficiary.[9]

8 Three examples

Camila arrived in Canada in 2024 (she is 30)

Her room started the year she became a resident: 2024 ($7,000) + 2025 ($7,000) + 2026 ($7,000) = **$21,000**, if she has not contributed anything yet. What accumulated since 2009 does not count.

Carlos wants to switch banks

He has $20,000 in his TFSA. If he withdraws it and deposits it himself at another bank, with no additional room, a $20,000 excess is created: 1% a month is **$200 every month**. The right move was to ask the new bank for a direct transfer.

Laura and Diego, as a couple

Each has their own room and it is not shared. If both have all of their 2026 room available, each can contribute $7,000 this year: **$14,000** between them.

✓ The essentials in 5 ideas

A TFSA is a registered account: you put cash or investments inside.

Growth and withdrawals are tax-free; contributions are not deductible.

The 2026 limit is $7,000 and unused room carries forward.

Over-contributing costs 1% a month; what you withdraw returns the next January 1.

> Switch institutions with a direct transfer, never by withdrawing.

Official sources

Links open in a new tab. Content reviewed on November 3, 2026. CRA pages are in English and French.

1. **CRA: What is a TFSA?**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/what.html
2. **CRA: Opening a TFSA**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/opening.html
3. **CRA: Before you contribute (limits and investments)**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributing/before.html
4. **CRA: Calculate your contribution room**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributing/calculate-room.html
5. **CRA: Withdrawing from a TFSA**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/withdraw.html
6. **CRA: If you over-contribute**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/contributing/overcontribute.html
7. **CRA: Non-permitted investments and advantages**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/owing-tax/non-permitted-investment.html
8. **CRA: Requesting a TFSA transfer**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/transfer.html
9. **CRA: If a TFSA holder dies**
   www.canada.ca/en/revenue-agency/services/tax/individuals/topics/tax-free-savings-account/death-of-holder.html
10. **Revenu Québec: Shelter Allowance**
    www.revenuquebec.ca/en/citizens/your-situation/low-income/shelter-allowance-program/eligibility-shelter-allowance-program/

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