

We know what is meant when something is described as counter-intuitive, but much beyond that it becomes what's called a head-scratcher. And the numbers relating to TFSA contributions in 2020 belong in this category. According to the Investment Executive (IE) [<here>](#) nearly the same number of Canadians contributed to their Tax Free Savings Accounts this year as last (53% vs 58%). The head scratching part is that contributions were up almost 10% year-over-year, meaning that Canadians found a way to put meaningfully more aside, despite the Covid-19 shutdown/slowdown of the economy for much of the year. True, travel plans were shelved, so it could be the case that the higher contributions are simply short-term top ups that are earmarked for vacation plans next year. Still, all this excess savings totalled \$150B, leaving one to ask why it took a global pandemic to get Canadians to get serious about saving?



We prefer to look at this more positively, and agree with the position in IE that *"it's encouraging to see that Canadians are resilient when it comes to savings"*. We've gone from hoarding toilet paper at the start of the year, to hoarding dollars at the end of it! More than two-thirds of Canadians now have a TFSA, up from just one-quarter five years ago. This is good news indeed. The TFSAs can be thought of as RRSPs turned inside out. No tax deduction on contributions, but no tax on withdrawals either. Paired with either pension income or RRIF income in retirement, TFSAs are an integral part of retiring comfortably and with financial security. We encourage clients to think of their RRIFs as their pension plan, best used to provide a systematic monthly income stream. TFSAs are for

lump sum purchases -home renovations, travel, a new car, or anything that requires a reasonable single withdrawal amount. Having moneys in both positions retirees for the kind of retirement they worked so hard for all those years.

One worrying statistic though is that 12% of Canadians still think of TFSAs as cash accounts. They're not. The term Tax Free **Savings** Account does lead one to think that this vehicle is essentially another bank account. This is where financial education comes in and I have been diligent in reminding clients that TFSAs should really be referred to as Tax Free **Investment** Accounts. Just this week I took on a new client who didn't know this and was sitting on cash in her TFSA earning ...nothing. Another example of how knowledge is empowering and why it is so important to Know Your Money (KYM). We're here to help as always and any questions you have on TFSAs or otherwise are always welcome!

Less than two weeks to go before Christmas, so get your last minute shopping in -just don't tap your TFSA to do it! These should be used as medium to long term investment plans just like RRSPs. Happy shopping and I look forward to wishing all of you a Merry Christmas and Happy New year by phone or Zoom or e-Card between now and the 25th of December.

Be safe, be well!

Martin

519-546-5088