A Husband's Point Of View

A.M.H. Financial Services

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INSIDE THIS ISSUE:

RRSPs vs TFSAs	**2**
Tax Free Savings Accounts	**3**
Our Mission	**4**

Happy Family Day to all of you and your families. While things will be different this year with the pandemic, we can still get together with our families virtually. I did this with my family a few times and it was pretty awesome. While we couldn't be together physically and hug one another, we still shared a lot of laughs and enjoyed being able to spend some time together even though it was through a computer screen.

If there is one thing that the current pandemic that we are in has taught us, it's the importance of savings. Many people were caught off guard and ended in a bad financial situation due to loss of incomes as places of employment were closed in order to stop the spread of the virus.

This became that rainy day event that we as advisors always suggest that you put savings away for. And many people didn't a lot of savings to speak of and they were hit very hard. This truly could have been avoided if they had set even a small amount of money aside each month. While they might have not had a real substantial amount of money set aside, every little bit would have helped.

As we all know it's that time of year when the banks push RRSPs. I spoke about them last month. This month I have chosen to talk about TFSAs and the difference between the two.

While either one can be purchased at any time of the year, with this being tax season some of you might be looking for a tax deduction. An RRSP can help you with that, along with helping you to save for your retirement. With a TFSA, during these difficult times with the pandemic, those savings could be drawn on at any time to help us out and replaced as time went on.

It's never to late to start saving. While for some of you its not possible right now, as soon as you can, you should really start putting some money aside for that next rainy day.

For information on RRSPs, TFSAs, and other investment products please call me to-day.(780) 425-4058, or send an email to andy@amhfinancial.ca.

On the Lighter Side

My dog Minton ate my shuttlecock. Bad Minton!

Have you ever tried to eat a clock? Its very time consuming.

I wondered why the base-ball was getting bigger. Then it hit me.

I tried to take some high-resolution photos of my friend's wheat field, but all of my photos turned out really grainy.

What is Forrest Gump's password? 1Forrest1

The deadline for contributing to an RRSP for 2021 is March 1, 2021

Call Andy today (780) 425-4058

RRSPs vs TFSAs

Its your future … look after it!

Choosing between the TFSA vs RRSP is easier than you think.

When it comes to saving, the TFSA vs RRSP debate is always at the forefront. Many people are confused as to whether to choose the Registered Retirement Savings Plan (RRSP), Tax-Free Savings Account (TFSA) or a combo of both, to put money away for the future.

Regardless of whether you choose the RRSP or TFSA (or make use of both!), one of the best things you can do is invest consistently. Over time, you can gradually increase your contributions until you max out both accounts. Both the TFSA and RRSP are investment vehicles that shelter taxes on your investment returns, but depending on your circumstances, one might be better for your money than the other.

The TFSA is more flexible and offers a better tax benefit than the RRSP but doesn't have as high contribution room. The RRSP will probably let you set aside more but has stricter rules around when you can withdraw your money, and what for. Ultimately, everyone should aim to have both an RRSP and a TFSA and spread out the savings across both accounts.

The main difference between the RRSP and TFSA is how your income is taxed when you contribute or withdraw from each account. The RRSP is a tax-deferred account, which means you contribute to it with pre-tax dollars and you'll pay your income taxes on your withdrawals. In contrast, the TFSA is a tax-free account – meaning you contribute to it with after-tax income, so you'll pay no more income taxes when you make a withdrawal. Because of this tax structure, you should come out with the same amount of money whether you choose the RRSP or TFSA, which is why you shouldn't sweat your TFSA vs RRSP decision too much.

Annual RRSP Limits		
Tax Year	**Income from**	**Maximum Limit**
2021	2020	$27,830
2020	2019	$27,230
2019	2018	$26,500
2018	2017	$26,230

Annual TFSA Limits		
Year	**Annual Limit**	**Cumulative Limit**
2021	$6,000	$75,500
2020	$6,000	$69,500
2019	$6,000	$63,500
2018	$5,500	$57,500

Tax Free Savings Accounts

Just like the name says, a tax-free savings account (TFSA) is a way to grow your money tax free. Whatever you choose to put in it, all the returns—interest, capital gains, dividends—are all yours.

Though TFSA is an acronym for Tax Free Savings Account, it's not really much at all like those savings accounts you probably had as a kid. Ones that earned almost no interest but provided access to all-you-can-eat stale lollipops from your local bank branch. Instead, think of a tax-free savings account (TFSA) as a basket. You can pick what to put in that basket from a bevy of financial instruments—exchange traded funds, guaranteed investment certificates, stocks, bonds and yes, actual cash savings. The Canadian government introduced TFSAs in 2009 as a way to encourage people to save money. Since you paid tax on the money you put into your TFSA, you won't have to pay anything when you take money out.

How a TFSA works is very simple. You open a TFSA, deposit money and hopefully watch your money/ investments grow. One of the greatest features of the TFSA is their flexibility in terms of when you can withdraw your money. Unlike an RRSP, you're free to withdraw at any time without penalty, but there are government-mandated limits to how much you can contribute every year. The maximum you're allowed to put into a TFSA each year is known as the contribution limit and it varies from year to year. It's a good idea to take a gander at this year's limit and past limits before you open a TFSA and start contributing. That's because over contributing comes with a nasty little penalty — 1% of the excess contribution every month until it's withdrawn.

If and when you do withdraw money from a TFSA, the amount you take out is added to how much you can contribute the following year. For example, withdrawing $5,500—plus $5,000. And TFSA contribution room doesn't disappear if you fail to contribute in any given year. It just rolls over into the next year so you'll have an ever-expanding contribution limit.

TFSAs are considered tax-exempt to provide people with incentive to save for retirement or some other large purchase like a home. While contributions to a TFSA earn you no immediate tax breaks like RRSP contributions would, you will however receive big breaks in the future, since all investment gains will not be subject to any taxes. In other words, since you already paid tax on the money you put into your TFSA, you won't have to pay anything when you take money out.

TFSA's are pretty great, but they can also get you into a bit of trouble if you're not careful. Because TFSAs are so popular and plentiful and you can open as many as you want, it's easy to lose track of how much you're contributing. As we outlined above, even if it's by accident, should you accidentally over-contribute (i.e., put in more money in a calendar year than you're allowed by law), you will be charged a penalty of 1% per month on the amount in your TFSA that is in excess of the limit. Oh, and remember that you can't day-trade stocks in your TFSA, unless you'd like to experience the wrath of the Canadian government's tax department.

INVESTMENTS AND FINANCIAL PLANNING

"I retire on Friday and I haven't saved a dime. Here's your chance to become a legend!"

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Take a look at our website!

www.amhfinancial.ca

AMH Financial Services is a full-service firm. We offer services to help you examine your financial goals and select the options that will best suit your needs, timeframe and investment style. We believe in helping you create a comprehensive financial plan for your family that includes planning, insurance and portfolio management.

MY COMMITMENT AS A FINANCIAL ADVISOR IS TO HELP PEOPLE TO REACH THEIR FINANCIAL GOALS. IF YOU HAVE A FAMILY MEMBER, FRIEND OR COLLEAGUE WHO YOU FEEL COULD BENEFIT FROM A CONVERSATION WITH ME, I WOULD BE PLEASED TO SPEAK WITH THEM WITHOUT OBLIGATION.

I believe that every individual has an unalienable right to make the best and most effective use of hard-earned income, to have easy access to up-to-date and informed advice, and to be able to provide for short and long-term requirements.

I am committed to serving the individual customer with investment and financial portfolios which will meet current needs and provide for future requirements and situations.

My mission is to help you to make an educated decision that you are comfortable with!

Understanding what matters to you.

As life changes, your financial priorities evolve. That's why at AMH Financial Services we are here to understand you first, and then your financial picture.

We take the time to understand your unique investment goals. Through an in-depth discovery process, we'll get to know who you are and what truly matters to you and your family.

Wealthy people invest first & spend what's left..

Broke people spend first & invest what's left.