

## TFSA limit for 2021 released

Find out how much clients can contribute

By: Rudy Mezzetta | November 20, 2020 | 17:21



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Rudy Mezzetta

The TFSA new contribution limit for 2021 has been officially released. That limit is \$6,000, matching the amount set in 2019 and 2020.

With this TFSA dollar limit announcement, the total contribution room available in 2021 for someone who has never contributed and has been eligible for the TFSA since its introduction in 2009 is \$75,500.

The annual TFSA dollar limit is indexed to inflation and rounded to the nearest \$500. The Canada Revenue Agency's indexation increase for 2021 is 1.0%.

For clients who have withdrawn from TFSAs, their crystallized gains and losses from withdrawals are factored in to their TFSA room. The formula is:

**Unused TFSA contribution room to date + total withdrawal made in this year + next year's TFSA dollar limit = TFSA contribution room at the beginning of next year**

Here are the dollar amounts by year:

For 2009, 2010, 2011 and 2012:	\$5,000
For 2013 and 2014:	\$5,500
For 2015:	\$10,000
For 2016, 2017 and 2018:	\$5,500

For 2019, 2020 and 2021

\$6,000

Anyone 18 or older and who has a valid social insurance number is eligible to open a TFSA. Contribution room accumulates beginning in the year in which a person turns 18.

TFSAs can be an “ideal” savings and investment vehicle for younger Canadians who are starting their working lives and expect to be in higher income tax brackets in the years ahead, said Wilmot George, vice-president of tax, retirement and estate planning with Toronto-based CI Investments Inc.

While contributions to a TFSA are not tax deductible, withdrawals are tax free. Money withdrawn from a TFSA in a future year can be used to make a down payment on a home or purchase a car, for example.

“If [the TFSA holder’s] tax rate is higher at that time, they realize a benefit accessing tax-free income from their account as opposed to having to pull out taxable income [as from an RRSP],” George said.

Here is the TFSA lifetime contribution room for individuals who have never made a TFSA contribution, for 2020 and for 2021, based on age.

Year individual turned 18	Total unused contribution room in 2020	Total unused contribution room in 2021
2009 or earlier	\$69,500	\$75,500
2010	\$64,500	\$70,500
2011	\$59,500	\$65,500
2012	\$54,500	\$60,500
2013	\$49,500	\$55,500
2014	\$44,000	\$50,000
2015	\$38,500	\$44,500
2016	\$28,500	\$34,500
2017	\$23,000	\$29,000
2018	\$17,500	\$23,500
2019	\$12,000	\$18,000
2020	\$6,000	\$12,000
2021	0	\$6,000

## Federal tax bracket thresholds for 2021

- The 33.0% tax rate begins at taxable income of over \$216,511, up from \$214,368 in 2020.
- The 29.0% tax rate begins at taxable income of over \$151,978, up from \$150,473 in 2020.
- The 26.0% tax rate begins at taxable income of over \$98,040, up from \$97,069 in 2020.
- The 20.5% tax rate begins at taxable income of over \$49,020, up from \$48,535 in 2020.
- Income below \$49,020 is taxed at 15.0%.

The basic personal amount for 2021 is \$13,808 for taxpayers with net income of \$151,978 or less. At income levels above \$151,978, the basic personal amount is gradually clawed back until it reaches \$12,421 for net income of \$216,511.

