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TAX MATTERS

# Maximize your TFSA benefits by taking these steps before year-end

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There's no shortage of good investment advice out there. The best I've heard came from American entertainer Will Rogers who said: "Don't gamble; take all your savings and buy some good stock and hold it till it goes up, then sell it. If it doesn't go up, don't buy it."

Getting good advice on how to invest your money can be valuable, but you've got to hold those investments in an account somewhere. Canadians have turned to their tax-free savings accounts for this in a big way since 2009. In fact, the average amount in TFSAs hit record highs last year with Gen Z having an average of \$13,779, millennials having \$32,204, Gen X having \$47,210 and boomers having \$72,211, according to a [2025 Bank of Montreal investment survey](#). Today, I want to share some TFSA tips to consider before year-end so that you can take maximum advantage of these plans.

1. **Use up available TFSA contribution room.** If you haven't contributed to your TFSA this year, do it before year-end. You can contribute up to \$7,000

for 2025. More specifically, the amount you can contribute equals \$7,000 for 2025, plus any unused contribution room from previous years, plus the amount of any withdrawals made from your TFSA in 2024. If you've never contributed to a TFSA since they were introduced in 2009, and you've been 18 or older since that time, you could contribute \$102,000 this year.

2. **Make withdrawals before year-end.** The TFSA rules say that if you make a withdrawal from your plan in a year, you can recontribute that amount starting the following year. Suppose, for example, that you've been maximizing your TFSA contributions annually and then withdrew \$5,000 in 2024. For 2025, you'd be able to contribute \$7,000 (the new contribution room for 2025) plus \$5,000 (your 2024 withdrawal) for a total of

\$12,000. So, if you're thinking of withdrawing from your TFSA, do it before year-end, otherwise you won't receive the additional contribution room until 2027.

- 3. Stop carrying on a business in your TFSA.** The Canada Revenue Agency started an audit project a few years ago targeting TFSAs that have become very large. The taxman's view is that certain profits from securities transactions should be taxed "on income account" not "capital account" – that is, as business income and not capital gains. The problem? Any business income earned in your TFSA is fully taxable. When auditing a TFSA, the CRA will consider different factors to determine whether your profits should be taxed as business income, including how frequently you trade, your knowledge and experience in trading, and the type of securities you hold – among other factors. (See [my article](#) from March, 2024, for more.)
- 4. Do the math on your contribution room.** Before you contribute to your TFSA, be sure to review how much you're entitled to contribute. If you've registered for "My Account" with the CRA you'll be able to log in and see what the CRA shows as your available room. Now, early each year the CRA's records might be inaccurate since financial institutions don't file information about your contributions and withdrawals

until the end of February (two months after year-end). At this point in 2025, the amount shown by the CRA should reflect all prior year transactions. Still, compare this to your own records from your financial institution. If your records differ from the CRA's, you can use your calculated total but keep supporting documents on hand in case the CRA questions you.

- 5. Name a successor holder for your TFSA.** There's a difference between naming a beneficiary for your TFSA and a successor holder. You can designate a successor holder in your TFSA plan documentation, or in your will. The successor holder can contribute to the TFSA based on their own contribution room and can combine your TFSA with theirs. Here's the key: Only a spouse or common-law partner can be named as successor holder. It's better than simply naming them as beneficiary because it's much easier administratively for them to inherit your TFSA when you're gone.
- 6. Get rid of non-qualified investments.** There are certain non-qualified investments which you should avoid in your TFSA. You'll face a penalty tax equal to 50 per cent of the fair market value of any investment that is, or becomes, non-qualified, along with paying tax on any income or capital gain earned on that investment. For the most part,

cash, GICs, mutual funds and securities traded on a designated stock exchange are generally safe. Interestingly, cryptocurrencies and non-fungible tokens (NFTs) are non-qualified investments, although exchanged-traded funds that invest in these things generally qualify.

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