



THE INVESTMENT FUNDS INSTITUTE OF CANADA
L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

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By e-mail to Danielle.Lafleche@cra-arc.gc.ca

September 22, 2008

Ms. Danielle Laflèche, c.a.
Director General
Registered Plans Directorate
Legislative Policy and Regulatory Affairs Branch
Canada Revenue Agency
Tel: (613) 954-0933

Dear Ms. Laflèche:

Re: Recommendation to Accept Multi-account TFSA Applications

We would like to raise one issue again with you but first would like to thank the CRA staff with whom we have worked this summer for their responsiveness in answering many questions regarding tax-free savings accounts (TFSAs) for our association and others. This collaboration has been a very positive experience for our committee members.

There are a number of remaining issues that we are culling with the other associations to come up with a short list of questions that can be dealt with over the next six months, however, I have been asked to raise one matter again for the Canada Revenue Agency's (CRA's) further consideration. That is, our members are concerned by the rejection of including TFSAs on multi-account applications. We believe we understand the CRA's concerns, but think that these are outweighed by the practical issues that this will cause would-be TFSA holders and TFSA issuers and agents.

We understand that multi-account applications, including TFSAs, are not being accepted because: (1) they have a different purpose from retirement plans, (2) the associated terminology differs and (3) the risk of error is perceived as greater. We believe that:

1. With regards to purpose, while TFSAs may be used for objectives other than retirement savings (for example, education, and registered education savings plans are required to have a separate application), the federal government's expectation is that they predominantly will be used for retirement savings purposes. TFSAs are based on RRSPs from a legislative and operational perspective, and we believe that they are tied to registered retirement savings plans (RRSPs) in many investors' minds by government statements that TFSAs are, in many respects, a mirror image of RRSPs and that "...[b]ased on current savings patterns, seniors are expected to receive one-half of the benefits provided by a TFSA." (Finance Canada website). Our members believe that a material part of the remaining 50 per cent of TFSA holders will be

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people who have contributed their maximum to their RRSP and want to save more for retirement.

2. Regarding terminology, our members believe that multi-plan application forms can be designed in a way to accommodate the different wording (e.g., accountholder vs. planholder).
3. With respect to risk of error, we believe that there is no greater likelihood of error for TFSAs than for RRSPs, RRIFs or other account/plan types. We think that in the proportionally very rare cases that may arise, investors would look, as they do now, to work with their advisor to correct any oversight. We would welcome any examples of where there have been issues to better understand the CRA's concerns and perhaps consider other ways to reduce problems while still allowing the benefits of multi-account applications.

In our experience, clients will not expect to see a new TFSA-specific application form. They will rely on CRA TFSA information or information provided by their advisor or the specimen plan for a plain-language summary of what they need to know about their rights and obligations. Mutual fund manufacturers (fund companies) and distributors (mutual fund and investment dealers) want to avoid unnecessary time, effort and paper resource demands associated with a separate form and to avoid client service issues of not having a TFSA-specific form when needed in a client meeting.

On a final but important point, a requirement for a separate TFSA application also is contrary to the government's 2006 promise to reduce administrative requirements by 20 per cent before the end of November of this year – a separate TFSA application form is an added requirement.

For the above reasons, we request that the CRA re-consider the restriction on the use of multi-plan application forms or at least allow multi-account applications to be used following January 1, 2009. We look forward to your response and again thank your team for their assistance to date in implementing TFSAs.

Yours truly,

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