

Awareness Of Tax Free Savings Accounts Very High: Survey

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According to a survey by TNS Canadian Facts, the introduction of the new Tax Free Savings Accounts or TFSAs has been a hit with many Canadians.

Awareness is very high and 14 per cent of Canadians have already contributed to a TFSA, with many more intending to take advantage of the new accounts.

The survey found that 79 per cent of Canadians are aware of TFSAs, and this is only somewhat behind awareness of the longer running RRSP (94%) and RESP (84%) accounts.

There is also little reported confusion between TFSAs and RRSPs. Only 27 per cent say that they do not understand the difference between the two.

“The combination of advertising by government and financial institutions has translated into a high awareness of the new investment vehicle and good initial uptake,” said Rhonda Grunier, vice-president of TNS Canadian Facts and director of the market research firm’s TFSA study.

Already 14 per cent of Canadians have opened a TFSA and another 36 per cent are either very likely (18%) or somewhat likely to do so (18%) in 2009. This leaves 48 per cent who are not likely to open an account this year.

Although the adoption rate for the new accounts is quite high, it is also true that lower income households are less likely to open an account (28% of Canadians with a household income below \$35,000 have opened or plan to open a TFSA versus half of all Canadians).

In fact, among the most frequently cited reasons for not opening a TFSA is a lack of financial resources (41%). Young people 18 to 24, women and those living in Quebec or Atlantic Canada are least likely to have already opened or to plan to open a TFSA.

Some Canadians question the wisdom of introducing TFSAs during the current economic downturn. Almost half (47%) agree that the government should be encouraging people to spend money to stimulate the economy rather than encouraging them to save money. One-third (35%) also believe that the new accounts will contribute to the government’s projected budget deficit by diverting tax revenue from government coffers.

Despite these concerns, most Canadians consider TFSAs to be a suitable vehicle for a range of investment needs. Seven in ten agree that they should be used as a source of short-term emergency funds (70%). A similar proportion (68%) say that they ought to be used as a retirement savings vehicle.

Finally, six in ten (61%) agree that TFSAs should be used as a means of saving for medium term goals, such as buying a car or house, making home improvements or taking a family vacation.

Of the 63 per cent of Canadians with an RRSP, seven in ten have already contributed or plan to contribute to their RRSP by the March 2nd deadline. Looking at all Canadians’ intentions for RRSP and TFSA contributions this year, only one-third (34%) say that they are not going to contribute to either one, 19 per cent intend to invest only in a TFSA, 17 per cent say they will invest only in an RRSP, and 30 per cent plan to invest in both.

“The versatility of the TFSA is a definite strength of the new accounts. The fact that TFSAs help Canadians meet a variety of needs and investment goals is undoubtedly contributing to the high level of interest in this new account,” added Grunier.

The Tax Free Savings Account Study was conducted using the firm’s national bi-weekly telephone omnibus service, TNS Express Telephone. A total of 1,016 nationally representative Canadian adults were interviewed between February 2 and 5, 2009. For a survey sample this size, the margin of sampling error is plus or minus 3.1 percentage points, 19 times out of 20.

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