**Financial Literacy Lesson Plan**

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| **Connections to Financial Literacy**   * *Consumer protection and consumer awareness as students investigate and communicate the difference between simple and compound interest;* * *Personal financial planning by considering various saving and investing options (e.g., RRSP, RESP).* | |
| **Unit 1 Day 2: Money Grows: Very Interesting!** | **MPM 1D Principles of Mathematics,**  **Grade 9, Academic**  **MFM 1P Foundations of Mathematics,**  **Grade 9, Applied** |
| Curriculum Expectations | Learning Goals |
| **Linear Relations**  **Overall Expectation**  By the end of this course, student will:   * demonstrate an understanding of the characteristics of a linear relation   **Specific Expectations:**  *Understanding Characteristics of Linear Relations*  - construct tables of values, graphs, and equations, using a variety of tools (e.g. graphing calculators, spreadsheets, graphing software, paper and pencil), to represent linear relations derived from descriptions of realistic situations.  - compare the properties of direct variation and partial variation in applications, and identify the initial value (e.g., for a relation described in words, or represented as a graph or an equation)  **Mathematical Process Focus:** **Connecting:** students will connect linear and non-linear relations to simple and compound interest situations | At the end of this lesson, students will be able to:   * connect the characteristics of linear and non-linear functions to simple and compound interest |
| Instructional Components and Context | |
| Readiness Students can   * Calculate a percent of a number. (review activity included in lesson) * Draw a scatter plot and the corresponding line of best fit. * Identify some characteristics of a linear relation (y-intercept, rate of change, Finite Differences)  Terminology Simple Interest  Compound Interest  RRSP (Registered Retirement Savings Plan)  RESP (Registered Education Savings Plan)  GIC (Guaranteed Investment Certificate)  Savings Account  TFSA (Tax Free Savings account)  Canada Savings Bond.  Stock  Annually  Principal | Teacher’s Note The lesson times listed in this lesson are suggestions. Times will vary depending on the prior knowledge of your students with the concepts and/or ideas presented. Materials  * Computer Lab (if available) * Scientific Calculators * Chart Paper (Graph) * Coloured markers * Metre sticks * Link Cubes (optional) * Graphing Calculators * White Boards and Dry Erase Markers (optional) * post it notes   Enough Copies of the following Black Line Masters 2.1 – 2.8 as required:   * Financial Terminology * Calculating Interest  Simple Interest versus Compound InterestSimple and Compound Interest SituationsApply Simple and Compound Interest to Situations  * Frayer Models Simple and Compound Interest  Exit Card  * Home Activity   Optional: Financial Literacy Lesson 2 Smartboard version (Smart Notebook file) |

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| **Minds On (15 Minutes)** | **Connections** |
| Whole Class: Introduce the following Scenario:  A relative has given you a gift of cash for your birthday. Instead of spending the money you decide to save it. What could you do with that money that would allow you to save it for the future?  **Groups of 4⇒Think/Pair/Share: Where would you invest your money?** Spend a few minutes thinking about any ideas you have and write them down (e.g., on the dry erase board, on paper). (5 minutes)  As a class, have the students share their ideas. Teams stand with a list of Ideas to share. Randomly select a student to share the amount of money they selected and an idea as to how they could save it. Teams either check off the idea from their list or add it. The team sits down whenever all the items on their list are shared. As the students are sharing ideas write them down on chart paper, Interactive Whiteboard or Chalkboard. Discuss any ideas that were missed. Be sure that simple interest and compound interest is understood.  (10 minutes) | DIapplesmallOpen Question: students select the amount of money, and their responses will reflect the amount they choose. |

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| **Action!** (45 minutes) |  |
| From the list of ideas generated as a class give each student a different financial term from which to find information (see BLM 2.1 for terms. There are extra spaces so that you can add any additional ideas/words). There should be at least two students with the same term. Using the internet students write down information they can find on their term. If the internet is not available then see BLM 1 (Teacher) for definitions. (5 minutes)  **Whole Class Activity⇒ Give One Get One**  Students walk around the class to find a partner. Each partner takes a turn sharing the term they have and the information they found about it (1 minute each). Students then exchange cards and move off to find another partner and repeat. When students pair up with someone who has the same word they can compare information and add to their own before exchanging. Students that encounter the same words again can be quizzed about that concept. After about 6 or 7 minutes call *time*.  **Activity ⇒Develop word wall**  Students find the other student(s) in the class that has the same word on the card. This will be their partner (group) for the rest of the class. Hand each group of students another sheet with their term on it and have them combine the information. Once they have completed this, post the sheet on the word wall. (15 minutes)  Lead a discussion with the following:   * If we put money into any of these types of accounts, will the amount of money you have remain the same or change? Explain your thinking. * Describe the difference between Simple and Compound Interest.   Put the following four questions on the board and have each students pick one to solve. If appropriate suggest students that pick an easier question to try and solve one of the others.  Determine: 50% of $40 13% of $30  25% of $60 7% of $25  Circulate and provide scaffolding questions to students requiring assistance.  Select students with standard and non-standard solutions to explain their methodology (BLM 2.2).  Ask the following common questions:   * Before you did the calculation how did you know your answer would be more than, less than or equal to ½ of the original amount? * Give an example of a percent that would give an answer of more than the original amount?   Hand out BLM 2.3, one chart is for calculating simple interest, one is for calculating compound interest.  Start with simple interest and as a class determine the first two rows. Working in pairs, students complete the chart, showing their calculations in the space below each table. Repeat for compound interest.  Students complete the questions shown below the chart. Then ask the following question which students answer on their sheet:  What do you think the graphs of each of these tables would look like? Explain. | aal  Students assess their own learning as they complete the task  afl  Students will eventually be quizzing each other on the terms.  *afl*  Assess for students ability to calculate percent and their understanding of various approaches. Consider Including an example such as 5.5% of $20 to assess if students understand 0.5%.  DIapplesmall  Parallel Tasks. Students can select a question that is appropriate to their level of readiness.  *DIapplesmall*  Alternative Open Question:  Complete the following:  \_\_\_\_% of \_\_\_\_\_ = 15  Have students share their answers with the class, and justify their equation. If it doesn’t come from students, provide examples of greater than 100%, 0%, 1% and benchmark percents (e.g., 25%, 50%) |

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| Action (continued) |  |
| Assign or have pairs select a simple or compound interest situation (BLM 2.4). Link cubes could be used for the first simple interest scenario. Students complete the table and graph the data, either by hand, using graph chart paper or by using Fathom or spreadsheet software. (BLM 2.5)  Students find the pair that has the same principal and interest rate as theirs but with the other type of interest. For example the two situations that would form one group of 4 would be made up of a pair with $100 invested at 10% for 10 years simple interest with a pair with $100 invested at 10% for 10 years compounded annually.  The groups of 4 compare the two graphs, describe the similarities and differences, and conjecture some conclusions. | **DIapplesmall**  Parallel Tasks. Students are given a situation based on readiness as per teacher observations or students select based on interest. |

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| **Consolidation** (15 minutes) |  |
| Two students from each group come to the front and put their graphs under the appropriate heading: Simple Interest or Compound Interest  As a class discuss the similarities and differences between the situations and graphs.  Ask the following common questions:   * What type of relation is exhibited by simple interest? Explain. * What type of relation is exhibited by compound interest? Explain. * Could you have determined this without graphing? Explain. (e.g., Process for determining the finite differences from the table of values) * Will the y-intercept of a simple interest or compound interest graph ever be 0? If so when? If not why not?   Hand out two copies of Frayer model template (BLM 2.6), one for simple interest and one for compound interest. Students write down ideas on post it notes for each corner of the template and read it to the group. Once the students have compiled ideas, each will complete their own Frayer model.  Students complete the Exit Card (BLM 2.7) and pick up their Home Activity (BLM 2.8). | aol  Consolidation questions allow students to reflect and extend what they have learned.  **DIapplesmall**  Exit Card allow teachers to determine the readiness of individual students to move forward |

**BLM 2.1: Financial Terminology**

Simple Interest

Compound Interest

RRSP

(Registered Retirement Savings Plan)

RESP

(Registered Education Savings Plan)

Compound Interest

GIC

(Guaranteed Investment Certificate)

Savings Account

TFSA

(Tax Free Savings Account)

Canada Savings

Bond

Stock

Annually

Percent

Principal

# BLM 2.2: Calculating Interest

Pick one of the following and solve. Explain your solution.

  

Solution:

Explanation:

# BLM 2.3: Simple Interest Versus Compound Interest

Suppose you invested $100 at 10% interest for ten years. One investment offers simple interest, while the other offers compound interest compounded annually. Complete the following charts.

Simple Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.10 | 100 x 0.10 = 10 | 110 |
| 2 | 100 | 0.10 | 100 x 0.10 = 10 | 120 |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |
| 6 |  |  |  |  |
| 7 |  |  |  |  |
| 8 |  |  |  |  |
| 9 |  |  |  |  |
| 10 |  |  |  |  |

Compound Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.10 | 100 x 0.10=10 | 110 |
| 2 | 110 | 0.10 | 110 x 0.10=11 | 121 |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |
| 6 |  |  |  |  |
| 7 |  |  |  |  |
| 8 |  |  |  |  |
| 9 |  |  |  |  |
| 10 |  |  |  |  |

**Questions**

1. Compare the two tables stating Similarities and Differences

Similarities Differences

2. If you were to invest your money which account would you pick? Why?

# Teacher Reference Sheet1 for BLM 2.3 Simple Interest Versus Compound Interest (Answers)

Suppose you invested the $100 you got for your birthday in two of the investments we have discussed at 10% interest for ten years. One investment offers simple interest, while the other offers compound interest compounded annually. Complete the following charts.

Simple Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 | 0.10 | 10 | 110 |
| 1 | 100 | 0.10 | 10 | 120 |
| 2 | 100 | 0.10 | 10 | 130 |
| 3 | 100 | 0.10 | 10 | 140 |
| 4 | 100 | 0.10 | 10 | 150 |
| 5 | 100 | 0.10 | 10 | 160 |
| 6 | 100 | 0.10 | 10 | 170 |
| 7 | 100 | 0.10 | 10 | 180 |
| 8 | 100 | 0.10 | 10 | 190 |
| 9 | 100 | 0.10 | 10 | 200 |
| 10 | 100 | 0.10 | 10 | 210 |

Compound Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Principal | Interest Rate | Interest | Amount |
| 0 | 100 | 0.10 | 10 | 110 |
| 1 | 110 | 0.10 | 11 | 121 |
| 2 | 121 | 0.10 | 12.10 | 133.10 |
| 3 | 133.10 | 0.10 | 13.31 | 146.41 |
| 4 | 146.41 | 0.10 | 14.64 | 161.05 |
| 5 | 161.05 | 0.10 | 16.11 | 177.16 |
| 6 | 177.16 | 0.10 | 17.72 | 194.88 |
| 7 | 194.88 | 0.10 | 19.49 | 214.37 |
| 8 | 214.37 | 0.10 | 21.44 | 235.81 |
| 9 | 235.81 | 0.10 | 23.58 | 259.39 |
| 10 | 259.39 | 0.10 | 25.94 | 285.33 |

# BLM 2.4: Simple and Compound Interest Situations

$10 invested at 10% simple interest for 10 years

$10 invested at 10% compounded annually for 10 years

$20 invested at 12% simple interest for 10 years

$20 invested at 12% compounded annually for 10 years

$30 invested at 8% simple interest for 10 years

$30 invested at 8% compounded annually for 10 years

$40 invested at 14% simple interest for 10 years

$40 invested at 14% compounded annually for 10 years

$50 invested at 6% simple interest for 10 years

$50 invested at 6% compounded annually for 10 years

$60 invested at 5% simple interest for 10 years

$60 invested at 5% compounded annually for 10 years

$70 invested at 4% simple interest for 10 years

$70 invested at 4% compounded annually for 10 years

$80 invested at 3.5% simple interest for 10 years

$80 invested at 3.5% compounded annually for 10 years

# BLM 2.5: Application of Simple Interest or Compound Interest Situation

Complete both tables for your situation and then use chart paper or Fathom/ Excel or graphing calculators generate a graph of your data.

Write or paste your situation here:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Principal | Interest Rate | Interest | Total Amount |
| 0 |  |  |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |
| 6 |  |  |  |  |
| 7 |  |  |  |  |
| 8 |  |  |  |  |
| 9 |  |  |  |  |
| 10 |  |  |  |  |

|  |  |
| --- | --- |
| Year | Total Amount |
| 0 |  |
| 1 |  |
| 2 |  |
| 3 |  |
| 4 |  |
| 5 |  |
| 6 |  |
| 7 |  |
| 8 |  |
| 9 |  |
| 10 |  |

In your group of four compare the graphs of simple interest and compound interest.

Similarities Differences

**BLM 2.6: Simple Interest and Compound Interest Frayer Models**

|  |  |
| --- | --- |
| Definition | Facts/Characteristics |
| Examples | Non-examples |

|  |  |
| --- | --- |
| Definition | Facts/Characteristics |
| Examples | Non-examples |

# BLM 2.7: Exit Card

1. If you invest $100 in a savings account that offers 8% compounded annually, how much would you have after 3 years? How much more or less would you have if you invested it in an account that offered simple interest at the same rate?

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 |  |  |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 |  |  |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |

b) Connect each type of interest situation to the two types of relations: linear and non-linear. Justify your answer.

c) Connect each type of interest situation to a savings option available from a financial institution. Reflect on what factors make each option appropriate selections.

# Teacher Reference Sheet for BLM 2.7 Exit Card (Answers)

If you invest the $100 in a savings account that offers 8% compounded annually, how much would you have after 3 years? How much more or less would you have if you invested it in an account that offered simple interest at the same rate?

Compound Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.08 | 8 | 108 |
| 2 | 108 | 0.08 | 8.64 | 116.64 |
| 3 | 116.64 | 0.08 | 9.33 | 125.97 |

Simple Interest

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.08 | 8 | 108 |
| 2 | 100 | 0.08 | 8 | 116 |
| 3 | 100 | 0.08 | 8 | 124 |

# You would earn $1.97 less with simple interest.

# BLM 2.8: Home Activity

You have a choice of two different savings accounts to invest $100:

1. 10% simple interest

or

2. 8.5% interest compounded annually.

If you were going to leave the money in the account for 5 years which investment should you choose? Justify your answer.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 |  |  |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 |  |  |  |  |
| 1 |  |  |  |  |
| 2 |  |  |  |  |
| 3 |  |  |  |  |
| 4 |  |  |  |  |
| 5 |  |  |  |  |

# Teacher Reference for BLM 2.8 Home Activity (Answers)

You have a choice of two different savings accounts to invest the $100:

1. 10% simple interest

or

2. 8.5% compounded annually.

If you were going to leave the money in the account for 5 years which investment should you choose? Justify your answer.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.10 | 10 | 110 |
| 2 | 100 | 0.10 | 10 | 120 |
| 3 | 100 | 0.10 | 10 | 130 |
| 4 | 100 | 0.10 | 10 | 140 |
| 5 | 100 | 0.10 | 10 | 150 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Years | Principal | Interest Rate | Interest | Total Amount |
| 0 | 100 |  |  | 100 |
| 1 | 100 | 0.085 | 8.50 | 108.50 |
| 2 | 108.50 | 0.085 | 9.22 | 117.72 |
| 3 | 117.72 | 0.085 | 10.01 | 127.73 |
| 4 | 127.73 | 0.085 | 10.86 | 138.59 |
| 5 | 138.59 | 0.085 | 11.78 | 150.37 |

The compound interest account would earn you $0.37 more.

**Teacher Reference Sheet: Financial Terminology**

The following definitions were taken from **Financial dictionary.thefreedictionary.com**

**simple interest:**

Interest computed only on the original principal and not on the sum of the principal plus accrued interest. The amount of simple interest remains constant.

**compound interest:**

interest calculated on both the principal and its accumulated interest

**A Registered Retirement Savings Plan or RRSP:**

is a type of Canadian account for holding savings and investment assets. Introduced in 1957, the RRSP's purpose is to promote savings for [retirement](http://encyclopedia.thefreedictionary.com/Retirement) by employees. It must comply with a variety of restrictions stipulated in the *Canadian Income Tax Act*. Rules determine the maximum contributions, the timing of contributions, the claiming of the contribution tax credit, the assets allowed, and the eventual conversion to an RRIF (Registered Retirement Income Fund) in retirement. Approved assets include: [savings accounts](http://encyclopedia.thefreedictionary.com/Savings+account), [guaranteed investment certificates](http://encyclopedia.thefreedictionary.com/Guaranteed+Investment+Certificate) (GICs), [bonds](http://encyclopedia.thefreedictionary.com/Bond+(finance)), [mortgage loans](http://encyclopedia.thefreedictionary.com/Mortgage+loan), mutual funds, [income trusts](http://encyclopedia.thefreedictionary.com/Income+trust), corporate shares ([stocks](http://encyclopedia.thefreedictionary.com/Stock)), foreign currency and [labour-sponsored funds](http://encyclopedia.thefreedictionary.com/Labour+Sponsored+Venture+Capital+Corporation).

**Registered Education Savings Plan, or RESP**, is a [savings account](http://encyclopedia.thefreedictionary.com/Savings+account) used by parents to save for their children's [post-secondary education](http://encyclopedia.thefreedictionary.com/Tertiary+education) in [Canada](http://encyclopedia.thefreedictionary.com/Canada). The principal advantages of RESPs are a source of tax-deferred income.

**Guaranteed Investment Contract:**

A pension plan purchased through a [bank](http://financial-dictionary.thefreedictionary.com/Bank) or an [insurance company](http://financial-dictionary.thefreedictionary.com/Insurance+Company) for a [lump sum](http://financial-dictionary.thefreedictionary.com/Lump+Sum) in which the [principal](http://financial-dictionary.thefreedictionary.com/Principal) is [guaranteed](http://financial-dictionary.thefreedictionary.com/Guaranteed) by the [issuer](http://financial-dictionary.thefreedictionary.com/Issuer). One may receive payments from a GIC either in installments or as a lump sum after retirement. A GIC provides the pensioner with a small [interest rate](http://financial-dictionary.thefreedictionary.com/Interest+Rate) that is not guaranteed, but the fact that the principal is guaranteed makes it a relatively low-[risk](http://financial-dictionary.thefreedictionary.com/Risk) [investment](http://financial-dictionary.thefreedictionary.com/Investment).

**Savings account:**

A deposit account held with a [financial institution](http://financial-dictionary.thefreedictionary.com/bfglosf.htm#financial_institution) that pays [interest](http://financial-dictionary.thefreedictionary.com/bfglosi.htm#interest) but does not allow for direct withdrawal through [checks](http://financial-dictionary.thefreedictionary.com/bfglosc.htm#check). Pays interest at a rate higher than that of [checking account](http://financial-dictionary.thefreedictionary.com/bfglosc.htm#checking_account) but lower than that of [treasury bills](http://financial-dictionary.thefreedictionary.com/bfglost.htm#treasury_bills).

**Canada Savings Bond:**

A [savings bond](http://financial-dictionary.thefreedictionary.com/Savings+Bond) offered by the Government of Canada and [guaranteed](http://financial-dictionary.thefreedictionary.com/Guaranteed) by the [Bank of Canada](http://financial-dictionary.thefreedictionary.com/Bank+of+Canada). Originally offered in 1946 as a Victory War Bond, a CSB [pays](http://financial-dictionary.thefreedictionary.com/Pays) a low, but safe, [interest rate](http://financial-dictionary.thefreedictionary.com/Interest+Rate). The interest rate at which a CSB is offered is guaranteed for one year, and then fluctuates according to prevailing interest rates. A CSB is [redeemable](http://financial-dictionary.thefreedictionary.com/Redeemable) for [cash](http://financial-dictionary.thefreedictionary.com/Cash) at any time, but usually has a [maturity](http://financial-dictionary.thefreedictionary.com/Maturity) of 10 years.

**Stock:**

A portion of ownership in a [corporation](http://financial-dictionary.thefreedictionary.com/Corporation). The holder of a stock is entitled to the company's [earnings](http://financial-dictionary.thefreedictionary.com/Earnings) and is responsible for its [risk](http://financial-dictionary.thefreedictionary.com/Risk) for the portion of the company that each stock represents. There are two main classes of stock: [common stock](http://financial-dictionary.thefreedictionary.com/Common+Stock) and [preferred stock](http://financial-dictionary.thefreedictionary.com/Preferred+Stock). Common stock holders have the right to vote on major company decisions, such as whether or not to [merge](http://financial-dictionary.thefreedictionary.com/Merge) with another corporation, and receive [dividends](http://financial-dictionary.thefreedictionary.com/Dividends) determined by management. Preferred stock holders do not usually have [voting rights](http://financial-dictionary.thefreedictionary.com/Voting+Rights), but receive a minimum dividend. Stock may be [bought](http://financial-dictionary.thefreedictionary.com/Bought) or [sold](http://financial-dictionary.thefreedictionary.com/Sold), usually, though not always, in the context of a [securities exchange](http://financial-dictionary.thefreedictionary.com/Securities+Exchange). It is important to note that a single [share](http://financial-dictionary.thefreedictionary.com/Share) of a stock usually represents only a tiny amount of ownership, and, therefore, most stocks are [traded](http://financial-dictionary.thefreedictionary.com/Trading) in batches of 100.

**Annual:**

Describing a situation, event, or statement that occurs or is filed only once per year.

**Principal**:

The total amount of [money](http://financial-dictionary.thefreedictionary.com/bfglosm.htm#money) being [borrowed](http://financial-dictionary.thefreedictionary.com/bfglosb.htm#borrow) [lent](http://financial-dictionary.thefreedictionary.com/bfglosl.htm#lend) or invested.

**The Tax-Free Savings Account (TFSA)**: The following definition was taken from Wikipedia

is an account that provides [tax](http://en.wikipedia.org/wiki/Tax) benefits for saving in [Canada](http://en.wikipedia.org/wiki/Canada). Contributions to a TFSA are not deductible for income tax purposes. Investment income, including [capital gains](http://en.wikipedia.org/wiki/Capital_gains), earned in a TFSA is not taxed, even when withdrawn. There is a deposit limit of $5000 per year into this account.