



FHSA

FIRST HOME SAVINGS ACCOUNT

A tax-advantaged path to homeownership.

What you need to know about the FHSA

Contributions and withdrawals

The FHSA is a registered plan that gives first-time home buyers the opportunity to make up to \$40,000 in pre-tax contributions towards the purchase of a new home.

This means that, when you contribute to your FHSA, you can claim a tax deduction in much the same way you would with your RRSP – either in the year the contribution is made or in a later year. The main difference is that FHSA contributions made during the first 60 days of the year are not deductible on your previous year's income tax return.

The FHSA has an annual contribution limit of \$8,000, but if you don't contribute the full amount in one year, you can carry forward the unused room to a subsequent year.

Withdrawals from your FHSA are tax free, provided that you withdraw the money to help purchase a qualifying home.

The FHSA combines key benefits of the TFSA and RRSP to help you save for your first home in a tax-efficient way.

Eligibility

Despite its name, the FHSA isn't limited to people who have never owned a home. If in the last four years you have not lived in a home that you, your spouse or common-law partner owned, you meet Canada Revenue Agency's definition of a first-time home buyer and are free to take advantage of the FHSA.

To open an FHSA, you must be at least 18 years of age (or the age of majority in your province or territory) and a resident of Canada. The life of the account is capped at 15 years, and it cannot stay open past the end of the year you turn 71 or December 31 of the year following your first qualifying withdrawal.

FHSA versus Home Buyers' Plan

The FHSA is not the only tax-advantaged option for first-time home buyers. The Home Buyers' Plan (HBP) allows you to withdraw up to \$60,000 from your RRSP on a tax-free basis to purchase your first home.

There are two key differences between the FHSA and the HBP:

- 1 FHSA withdrawals do not have to be paid back, unlike withdrawals under the HBP, which must be paid back to your RRSP within 15 years (beginning the second year after the withdrawal or five years after for withdrawals made between January 1, 2022 and December 31, 2025).
- 2 The HBP has a withdrawal limit of \$60,000, while there is no limit on FHSA withdrawals.

Importantly, you don't have to choose between the FHSA and HBP. If using both fits your unique circumstances, you're free to do so. Your Investment Advisor can help you decide what's right for you.



Questions and answers about the FHSA

1 What types of investments can I hold in an FHSA?

You can hold a wide variety of investments, including mutual funds, exchange-traded funds, stocks, bonds and GICs. This gives you an opportunity to grow and compound your savings – increasing the amount you'll have available when it's time to make a withdrawal.

2 Can I share an FHSA with my spouse?

An FHSA can only be registered to one person, and all contributions must be made by the account holder. In the same vein, the associated tax deductions can only be claimed by the account holder. However, you are allowed to give funds to your spouse for the purpose of making an FHSA contribution. Importantly, Canada Revenue Agency has granted an exemption from the attribution rules in such cases. The same exemption holds when funds are gifted to adult children for FHSA contributions.

3 What happens if I overcontribute?

A 1% tax will be applied to the excess amount for each month it's in your FHSA, so be sure not to overcontribute.

4 What if I don't buy a home?

If you don't use the funds in your FHSA to buy a home, you can transfer them to your RRSP (or RRIF) tax free. These transfers will not reduce your RRSP contribution room, and the amount you transfer is not limited by the room you have available in your RRSP.

Despite soaring prices, homeownership remains a priority

67% — of Canadians say buying a home is a priority

43% — say they plan to purchase a home in the next five years

37% — of those aged 18–34 plan to purchase a home within the next three years

Source: [Nerdwallet 2023 Canadian Home Buyer Report](#), February 2, 2023.

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