Guiding Investors with Thoughtful Wealth Planning

A Nexus Feature Sheet:

First Home Savings Account (FHSA)

While still new, the FHSA could play a role in your overall wealth strategy.

The FHSA is a registered plan to help Canadians save for their first home.

Key Facts:

- **Account holders can contribute $40,000 over the lifetime of the plan**
  - Annual contributions are capped at $8,000. Unused contribution room can carry forward to the following year, up to a limit of $8,000 (contribution room only begins to accumulate once an account is opened)
- **Contributions are tax-deductible**
  - The contributions must be made in the calendar year (no extra 60 days like RRSP deadline)
  - Deductions can be carried forward indefinitely and deducted in a later tax year
- **Investment income earned in the account is tax-sheltered**
- **Qualifying withdrawals are non-taxable**
- **The funds do not have to be paid back (unlike Home Buyers' Plan)**

To be eligible the person must be:

- **A Canadian resident**
- **18 years or older but not more than 71 years of age on December 31 of the year the account is opened**
- **A first-time home buyer who the government defines as: someone who did not, at any time in the current calendar year before the account is opened, or at any time in the preceding four calendar years, own or jointly own a home**

What is a Qualifying Withdrawal?

- **The account holder must have a written agreement to buy or build a qualifying home located in Canada before October 1 of the year following the year of withdrawal, and**
- **The account holder must intend to occupy the home as their principal residence within one year of buying or building it**

When must a FHSA account be closed?

The earliest of:

- **15 years after the account was opened**
- **the end of the year the account holder turns 71**
- **the end of the year following the year the account holder makes a qualifying withdrawal for their first home purchase**

Tips for FHSAs:

1. Help your children save for their first home: If you are in a position to and want to help your children buy their first home, you can gift each adult child $8000 x 5 years. This money can then grow tax-free for up to 15 years after opening the account.
2. If you are close to buying your first home, it still makes sense to max out your FHSA to take advantage of the tax deduction.
3. Keep in mind the difference between these accounts:

	FHSA	RRSP Home Buyer's Plan	TFSA
Contributions can be deducted from income	✓	✓	✗
Withdrawals have to be paid back	✗	✓	✗

What if the account holder doesn't buy a home?

- Any savings not used to purchase a home can be transferred to an RRSP or RRIF on a non-taxable basis. This does not require RRSP contribution room, nor does it reduce the current contribution room
- If the funds are withdrawn and not transferred to a RRSP or RRIF, the funds will be taxed
- Neither withdrawals nor transfers reinstate FHSA contribution room

Can it be used with the Home Buyers Plan?

- It is possible to use both the Home Buyers Plan and the FHSA
- The Home Buyers Plan allows Canadians to withdraw $35,000 out of their RRSPs for a first home purchase without tax consequence. The RRSP must be repaid over 15 years.
- Funds can also be transferred from an RRSP to the FHSA, but subject to the annual and lifetime FHSA contribution limits. Those funds are not taxable on withdrawal from the FHSA. But they do not create a tax deduction, nor do they reinstate RRSP contribution room.

Naming Beneficiaries

- You can name your spouse as a successor holder similar to a TFSA , and the account can be transferred to their own FHSA or their RRSP
- You can list a non-spouse beneficiary, including your estate, but they will need to declare the funds they receive

FHSA FAQs:

1. If I make a contribution in 2023, must I deduct the contribution that same year? No. Like RRSP deductions, such amounts can be carried forward indefinitely and deducted in a future tax year.
2. What happens if I over-contribute to my FHSA? Like RRSPs, an over-contribution penalty tax of 1% per month will apply.
3. Does my FHSA contribution need to remain in the FHSA for a certain period of time before I can deduct it or withdraw it to purchase a home? No. There is no minimum period for which contributions must remain in the FHSA for the above purposes.
4. If I open a FHSA in 2023, but decide not to contribute until 2026, what is my contribution limit in 2026? $16,000 ($8,000 carryforward plus $8,000 for 2026); the carryforward amount is limited to $8,000 regardless of the number of carry forward years.

There are many benefits to the FHSA, however it might not be suitable for all circumstances. Contact our Wealth Planning team for guidance specific to you.

Dianne C. White
CPA, CA, CFP, TEP
President,
Chief Executive Officer
416-360-7296
white@nexusinvestments.com

Brad Weber
CPA, CA, CFP, CIM
Vice President,
Head of Wealth Planning
647-259-9458
weber@nexusinvestments.com

NEXUS

Julie Crothers
MBA, CIM, CFP
Vice President, Wealth Manager
647-577-3539
crothers@nexusinvestments.com

Kathleen Peace
CFA, CFP
Vice President, Wealth Manager
416-360-0706
peace@nexusinvestments.com

Invest Thoughtfully™

nexusinvestments.com

V20230602