First time **H**ome buyers **S**avings **A**ccount **(FHSA)NEW and**

Home **B**uyers **P**rogram **(HBP)OLD differences**

Since deciding between the FHSA and HBP, or using both, can have a major impact on your home purchase, you'll want to familiarize yourself quickly with the benefits of each.

How the FHSA works

- $8,000 yearly contribution limit
- Lifetime contribution limit of $40,000
- Contributions are tax deductible
- Capital gains and interest earned are tax-free
- Withdrawals do not have to be repaid
- Accounts must be closed after 15 years
- Capital gains (earnings) and interest are tax-free

How the HBP works

- Can withdraw up to $35,000 from your RRSP tax free
- Contributions must be repaid over 15 years
- Any contributions not repaid will be considered taxable income, and the contribution room will be lost permanently

Your strategy moving forward

If your goal is to buy a home, prioritizing your FHSA over your RRSP is a good idea since it gives you tax benefits on contributions and withdrawals. For every dollar you contribute, your taxable income is reduced by an equal amount. Plus, you don't need to worry about any repayments.

High-income earners will likely want to focus on their RRSP first since they'll likely have more contribution space than the FHSA. For reference, your RRSP contribution room is 18% of your previous year's income, with a cap at $31,560 for 2023 .

For example, if you earned $100,000 last year, you'd have $18,000 in your annual RRSP contribution space. That's clearly higher than the $8,000 FHSA limit.

That said, if you have the funds available, maxing out both your RRSP and FHSA would help since it'll lower your taxable income.