First Home Savings Account (FHSA)

The First Home Savings Account (FHSA) is specifically designed to help first-time homebuyers save for their down payment without having to pay taxes on the interest earned on their savings.

This means that the interest earned on the savings in the account are tax-deductible, along with withdrawals from the account. Plus, since your contributions to this account are deductible on your income tax and benefit return, your money will have the opportunity to grow faster in an FHSA than a traditional savings account.

If you are interested in creating a FHSA, there are a few things to note:

- This savings account is eligible to Canadian residents who are at least 18 years of age.
- You are a first-time homebuyer - you and/or your spouse or common-law partner have not owned a home where you lived in the year in which you open the account or at any time in the previous four years.
- Allows you to contribute tax-free for up to 15 years.
    - » NOTE: Contributions you make to an FHSA during the first 60 days of the year cannot be deducted on your income tax for the previous year.

      If you make contributions to your FHSAs after you make your first qualifying withdrawal, those contributions cannot be deducted on your income tax and benefit return for any year.
- The maximum contribution is $8,000 annually, plus up to $8,000 of your unused contribution room*.
- Maximum lifetime contribution limit is $40,000.
    - » NOTE: Any contributions to your FHSA that exceed this lifetime limit cannot be deducted on your income tax and benefit return for any year.
- Setting up automatic contributions can help you stay on track.

**You can carry forward any unused FHSA contribution room from the prior years up to a maximum of $8,000 (subject to your lifetime contribution limit of $40,000). Therefore, if you contribute less than $8,000 in a given year, you can contribute the unused amount in a subsequent year in addition to the $8,000 annual contribution limit for that year.*

Another thing to consider is combining the First Home Savings Account (FHSA) with the Home Buyers' Plan (HBP) to help you purchase a qualifying home. The Home Buyers' Plan (HBP) allows you to withdraw up to $35,000 from your RRSP to buy a home. Keep in mind, you will need to repay the amount you draw for the Home Buyers' Plan within 15 years back to your RRSP, PRPP or SPP.

If you are interested in setting up an FHSA or learning more, please don't hesitate to reach out to me today!

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