ScotiaAdvice

First Home Savings Account (FHSA)

What is an FHSA?

The **First Home Savings Account (FHSA)** is a registered investment account that can help Canadians contribute up to $40,000 for their first home.

Any growth from your investments is tax-free. Contributions you make to your FHSA can also reduce your taxable income.[1]

Is this Registered Plan right for you?

Right for you if you:

- Are a Canadian Resident
- Have reached the age of majority in the province where the account is set-up
- Are a first time home buyer[2]
- Want your savings to grow over time with the ability to withdraw all of the funds tax-free to buy your first home

May not be right for you if you:

- Are not a first time home buyer
- Are not a Canadian Resident
- Are turning 72 this year - since you can only hold and contribute to a FHSA until the year in which you turn 71

FHSA vs RRSP vs TFSA

It's a great addition to your savings plans, as it gives you tax-deduction perks like an RRSP, and lets your investments grow without a tax bill, like a TFSA. This means that the money you put in and earn in this account goes towards the down payment of your first home.

	FHSA	TFSA	RRSP
Who qualifies for the account?	Any Canadian resident over 18 years old (or age of majority in your province), as long as they haven't owned a home in the current year or previous 4 years[3] As well as, at any prior time in the calendar year or in the preceding four calendar years, inhabit as a principal place of residence a qualifying home (or what would be a qualifying home if it were located in Canada) that was owned, whether jointly with another person or otherwise, by the individual, or a person who is the spouse or common-law partner of the individual, at the particular time.	Any individual 18 years old (or age of majority in your province) or older who has a valid social insurance number (SIN)	Any Canadian resident or non-resident under the age of 71
Tax-deductible contributions?	✓	✗	✓
Tax-free withdrawals?	✓[3,4]	✓	✗
Max contribution limit?	$8,000 per year until $40,000 max [4,5]	Subject to Canadian Revenue Agency (CRA) regulations	Subject to CRA's regulations
Deadline to close account?	December 31 of the year of the account's 15th anniversary or when the plan holder turns 71, whichever happens first. The account must also be closed by the end of the year following the year your first qualifying withdrawal from your FHSA is made.	–	December 31 of the year you turn 71 is the last day you can contribute to the account

You can make both an FHSA withdrawal (up to a $40,000 contribution + your capital growth in the account) and an RRSP Home Buyers' Plan (HBP) withdrawal ($35,000 maximum) for the same qualifying home purchase.

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Taking advantage of these special home savings and tax credits

If you are planning to buy a home in the next few years and don't have enough time to earn the max amount of $40,000 in the FHSA, you could still use your savings from the account in combination with the other new tax proposals. The federal government also announced that the first time home buyers' tax credit will increase to $10,000, which provides up to $1,500 in direct home buyer support.[3] Plus, the first time home buyer incentive, which allows new owners to lower their monthly payments, has been extended until March 31, 2025.

Who's eligible for the First Home Savings Account?

There are three important components to qualify for this investment vehicle.

- You need to be a resident of Canada
- You have to be at least 18 years of age (or the age of majority in your province or territory)
- You or your spouse can't own a home in which you lived, at any time in the year the account is opened or during the previous four calendar years.

Who doesn't qualify for the First Home Savings Account?

If you fit the three requirements above, you likely qualify. But if you are looking to buy a second home or a new home as a previous homeowner, this account isn't for you.

You are considered a first-time home buyer, for the purposes of this account, if you (or your spouse) haven't owned a home where you've lived at any time in the year the account is opened or during the previous four calendar years. For example, if you bought your first home in 2015 and sold it in 2018 and have been renting or living with parents or a non-spouse ever since, you would be considered a first time home buyer again.

Is there a minimum amount of money you need to start an FHSA?

There is no minimum amount of money you need to open up an FHSA.

Each year that your account is open, you'll be able to contribute up to $8,000. However, if you open up your account as a first time home buyer and can't contribute anything that first year, you'll be able to carry forward up to $8,000 to the next year. That means, in this situation, you'd then be able to contribute up to $16,000 that next year. This carry-over perk only applies for open accounts, so consider opening an account even if you aren't able to contribute financially the first year.

Do transfers from my FHSA to my RRSP affect my RRSP contribution room?

If you make an FHSA to RRSP transfer, your RRSP room would not be impacted, but you will forever lose the FHSA contribution room.

What are the requirements to make a qualified withdrawal from your FHSA?

Here is what you'll need in order to make a qualifying withdrawal:

- Be a Canadian resident
- Be a first time home buyer at the time you make a withdrawal
- Have not lived in a home that was owned (either jointly or otherwise) by the individual or by their spouse or common-law partner, anytime within the preceding four calendar years, and in the period in the particular year ending 31 days before the withdrawal was made
- Have a written agreement to buy or build a qualifying home (a housing unit in Canada) before October 1 of the year following the year of the withdrawal
- Intend to live in the qualifying home as your principal residence within one year after buying or building it
- A note that once the account is used for home buying, you won't be able to open up another FHSA.

Can my spouse and I both save in an FHSA for the same new home?

If you and your spouse both qualify as first time home buyers, you and your spouse can open up a separate FHSAs and contribute within them. This means together you could contribute up to $80,000 to save towards your first home between your separate FHSA accounts.

However, with the FHSA, you can't have a joint spousal account. You can only open and contribute to your own FHSA and claim the tax deduction. However, you can also gift money to your spouse for them to contribute to their FHSA.

What happens if you don't use your tax-free home savings?

If you don't use your Tax-Free First Home Savings Account to buy a home, you could transfer the funds to your RRSP or Registered Retirement Income Fund (RRIF) if you are 71 or older. This type of a transfer is a tax-deferred transfer.

If you make a tax-deferred transfer to a RRSP or RRIF- this will affect how much you can contribute to your FHSA. For example, if you transfer $10,000 from your FHSA to your RRSP, your RRSP will not be affected, but you will not be able to get that contribution room back in your FHSA.

Alternatively, you can withdraw money from your FHSA, but the funds would be subject to withholding taxes.

If you have more questions about the FHSA:

Book an appointment online with a Scotia advisor or call **1-855-208-1564**

Visit **www.scotiabank.com/FHSA** for more information.

[1] If you remove funds from the FHSA for any reason other than for a qualifying home purchase, you will have to pay taxes

[2] You will be considered to be a first-time home buyer if you 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 live in a qualifying home as your principal residence that either you or your spouse or common law partner owned or jointly owned.

[3] After making a withdrawal to purchase a home, an individual will be required to close their FHSAs within one year and will not be permitted to open another FHSA.

[4] A customer along with their spouse or common law partner can use their FHSA towards the purchase of the same house if they both meet the first-time house buyer criteria.

[5] Individuals would be allowed to transfer funds from an RRSP to an FHSA on a tax-free basis, subject to the $40,000 lifetime and $8,000 annual contribution limits. These transfers would not restore an individual's RRSP contribution room.