



Effective August 14, 2023, the *Scotia* First Home Savings Account is available to eligible Scotiabank customers. As a result, the following language is being added to our Investment Companion Booklet.

## Part 4 Types of Accounts for Your Investments

The following language has been added under **Scotia Registered Accounts**:

### **Scotia First Home Savings Account - Scotia FHSA**

#### **What is a Scotia First Home Savings Account?**

A *Scotia* First Home Savings Account (FHSA) allows prospective homebuyers to save money on a tax-free basis towards the purchase of their first home in Canada. This can also be used in conjunction with funds withdrawn under the federal Home Buyers' Plan.

Once your account is set up and registered with the Canada Revenue Agency, any interest income and capital gains you earn in the account build up tax-free.

#### **Opening your Scotia FHSA**

You must be at least 18 years old (19 years old in some provinces), a resident of Canada and a first-time homebuyer to open the FHSA.

#### **Ownership of your Scotia FHSA**

Your *Scotia* FHSA can only be held in your name.

#### **Funding your Scotia FHSA**

You can fund your FHSA by making new contributions, transferring funds from an existing *Scotia* FHSA, or transferring from a *Scotia* RRSP tax-free. All you have to do is complete the required form(s).

You can transfer funds from a FHSA held at another Scotiabank wealth partner or from another financial institution. All you have to do is complete the applicable transfer form.

#### **How much FHSA contribution room do I get?**

The Canada Revenue Agency determines how much contribution room you get. You can contribute a lifetime maximum of \$40,000 to your FHSA(s). The Canada Revenue Agency has set an annual contribution limit of \$8,000 plus any unused FHSA contribution room up to maximum of \$8,000 from the previous year. Contribution room only starts accumulating after you open an FHSA for the first time.

#### **Spousal contributions to an FHSA**

You can gift your own funds to your spouse to contribute to their FHSA without affecting your individual contribution room. Even though you contribute to your spouse's FHSA, the account remains his or her sole property and is not subject to income attribution rules. The FHSA owner is the only taxpayer permitted to claim deductions for contributions made to their FHSA.

#### **About spousal rights and beneficiaries**

In provinces other than Quebec, you can name any beneficiary you want by completing the beneficiary section of the application and the applicable beneficiary designation form. Unless you have designated your spouse or common-law partner as your beneficiary, they do not have an automatic right to your FHSA. You can change your beneficiary at any time after that by completing the applicable form(s). To change the beneficiary or successor holder, just visit your branch. Your Scotiabank representative will help you complete the necessary documents.

After your death, a named beneficiary or successor holder has the following options:

FHSA options after death	
If your spouse or common-law partner is named as successor holder and is a qualifying individual	<ul style="list-style-type: none"><li>› they can receive the balance of your FHSA as taxable income; or</li><li>› they can transfer the balance of your FHSA to their RRSP or RRIF on a tax deferred basis; or</li><li>› the account will pass into their name</li></ul>
If your spouse or common-law partner is named as successor holder but is not a qualifying individual	<ul style="list-style-type: none"><li>› they can receive the balance of your FHSA as taxable income; or</li><li>› they can transfer the balance of your FHSA to their RRSP or RRIF on a tax deferred basis</li></ul>
If your spouse or common-law partner is named as beneficiary but not as successor holder	<ul style="list-style-type: none"><li>› they can receive the balance of your FHSA as taxable income; or</li><li>› they can transfer the balance of your FHSA to their own FHSA, RRSP or RRIF on a tax deferred basis</li></ul>
Any other named beneficiary	<ul style="list-style-type: none"><li>› they can receive the balance of your FHSA as taxable income</li></ul>

In Quebec you can only designate a beneficiary through a Will.

### Issuing tax slips for your Scotia FHSA

For each calendar year, we will issue a T4FHSA tax slip for contributions, eligible transfers and withdrawals made.

### Withdrawing funds from your Scotia FHSA

You can make withdrawals from your Scotia FHSA subject to certain restrictions. The Government of Canada allows three types of withdrawals:

- › a qualifying withdrawal. This is a withdrawal to purchase a qualifying home if you meet all the following conditions:
  - you must complete the RC725 Request to Make a Qualifying Withdrawal from your FHSA form and submit it to us.
  - you are a first-time homebuyer as defined in the *Income Tax Act* (Canada).
  - you have a written agreement to buy or build a qualifying home with a completion date of before October 1 of the year following the date of withdrawal.
  - you did not acquire the qualifying home more than 30 days before making the withdrawal.
  - you are a resident of Canada from the time you make your first qualifying withdrawal from one of your FHSAs until the earlier of the acquisition of your qualifying home, or the date of your death.
  - You occupy or intend to occupy the qualifying home as your principal place of residence within one year after buying or building it.

If you become a non-resident as defined by the *Income Tax Act* (Canada) after opening your FHSA you cannot make a qualifying withdrawal while you are a non-resident.

- › a withdrawal of your excess FHSA amount (designated withdrawal) or a transfer of your excess FHSA amount to your RRSP or RRIF (designated transfer) using the prescribed form, for the purpose of reducing or eliminating your excess FHSA amount at the time of designation; or
- › an amount otherwise included in your taxable income.

We will only transfer proceeds of Scotiabank term investments, such as Scotia GICs, to another financial institution once they mature.

### Withholding tax

There are no withholding taxes on qualifying withdrawals, and designated withdrawals or transfers. In all other cases the amount withdrawn from your Scotia FHSA is considered a taxable withdrawal and will be subject to withholding tax.

If you are a resident of Canada as defined by the *Income Tax Act* (Canada), we withhold income tax at the following rates:

Taxable withdrawal amount	Withholding Tax Rate <sup>1</sup>	
	Canada (except Quebec)	Quebec (provincial and federal) <sup>2</sup>
Up to \$5,000	10%	19%
\$5,000.01 - \$15,000	20%	24%
More than \$15,000	30%	29%

<sup>1</sup>The rates are current as of 1 July 2023. The relevant tax authority may change them at any time.

<sup>2</sup>For Quebec, we have shown the combined provincial and federal withholding rate.

### Over-contributing to your FHSA(s)

If you make an over-contribution, the Canada Revenue Agency may impose taxes and interest for each month you are in an over-contribution position. Please contact your tax advisor or the Canada Revenue Agency for further information.

### Unregistered FHSA

If the information you provide does not agree with the information at the CRA, we may not be able to register your FHSA. If your FHSA remains unregistered for more than one year, we reserve the right to transfer the funds to an Investment Account and issue a tax slip to you at any time for any investment gains within your account.

### Closing your FHSA

Your *Scotia* FHSA must be closed at the earliest of these events:

- › by December 31<sup>st</sup> of the year that is 15 years after opening your first FHSA;
- › by December 31<sup>st</sup> of the year you turn 71 years old; or
- › by December 31<sup>st</sup> of the year following the year of your first qualifying withdrawal. You will not be permitted to open another FHSA.

## Part 6 **Managing Your Account**

The following underlined language has been added to one of the sub-headings under **Issuing tax slips for your investments**:

### **Scotia Registered Accounts (With the Exception of RESP, RDSP, FHSA and TFSA)**

The following language has been added under **Issuing tax slips for your investments**:

#### **Scotia First Home Savings Account (FHSA)**

T4FHSA slips (RL-32 for Quebec residents) are issued to plan holders by the end of February each year indicating any contributions, RRSP/Spousal RRSP transfer-ins, qualifying withdrawals, taxable withdrawals (including tax deducted), designated withdrawals and designated transfers-outs in the previous calendar year.

If applicable, FHSA beneficiary distributions received, amounts deemed received on FHSA cessation and Security for loan information will also be indicated on the slips.

Unlike RRSP, no contribution receipts would be issued for contributions made into FHSA therefore customers will use the tax slips issued to claim tax deductions on their income tax returns.

## Part 7 **Fees For your Account**

The following section has been added:

### **Fees for your Scotia First Home Savings Account (Scotia FHSA)**

*If The Bank of Nova Scotia is the dealer of your account*

- › \$50 for a non-qualifying withdrawal from your *Scotia* First Home Savings Account
- › \$150 for a transfer from your *Scotia* First Home Savings Account to a financial institution that is not a member of Scotiabank
- › Free – transfer to a member company within Scotiabank

If Scotia Securities Inc. is the dealer of your account

- › \$50 for a non-qualifying withdrawal from your Scotia First Home Savings Account
- › \$150 for a transfer from your Scotia First Home Savings Account to a financial institution that is not a member of Scotiabank
- › Free – transfer to a member company within Scotiabank

## Part 12 Account Application Agreement

The following underlined language amends one of the sub-headings under this part as well as three of the bullet points found under that section:

### **For Scotia Registered Accounts (Scotia RSP, ESP, LRSP, LIRA, RIF, LIF, LRIF, PRIF, RLIF, TFSA, FHSA and DSP) and Investment Accounts.**

Your signature on the *Application* confirms that all the information provided by you is true, complete and is accurate. You also acknowledge and confirm that you understand and agree to associated provisions outlined in Part 12 of the Investment Companion Booklet as well as the following:

- › You acknowledge that if you designate a beneficiary for your Scotia FHSA, RSP, LRSP, LIRA, RLSP, RIF, LIF, LRIF, RLIF, or a successor holder for your TFSA, by means of the Application, the designation will not be revoked or changed automatically by any future marriage or divorce. If you wish to change your beneficiary, you will have to do so by means of a new designation.
- › If your plan is a Scotia Education Savings Plan, RSP, TFSA, FHSA or Disability Savings Plan you understand that a penalty tax in accordance with the *Income Tax Act* (Canada) will be imposed on any contributions to the Plans over the permitted maximum contributions.
- › If your plan is a Scotia FHSA, you will be required to attest your eligibility as a Qualifying individual in accordance with the *Income Tax Act* (Canada) as part of the application.

## Part 13 Investment Directions Agreement

The following underlined language amends one of the sub-headings under this part as well as adding a new bullet point under that section:

### **For Scotia Registered Accounts (Scotia RSP, ESP, LRSP, LIRA, RIF, LIF, LRIF, PRIF, RLIF, TFSA, FHSA and DSP) and Investment Accounts.**

Your signature on the *Investment Directions* or the applicable investment form confirms that all the information provided by you is true, complete and accurate. You also acknowledge and confirm that you understand and agree to all associated provisions outlined in Part 13 of the Investment Companion Booklet as well as the following:

- › When providing investment instructions for a Qualifying Withdrawal from your Scotia FHSA, you acknowledge that the withdrawal you are making meets all the criteria of a Qualifying Withdrawal under the *Income Tax Act* (Canada).

The following underlined language has been added as a new bullet point under **If you set up a Pre-Authorized Contribution (PAC):**

- › If your plan is a Scotia FHSA, these instructions will not be followed after the end of your FHSA maximum participation period as set by the Canada Revenue Agency (CRA) or once you have made the first Qualifying Withdrawal.

## Part 16 Glossary

The following definition has been added:

### **FHSA**

First Home Savings Account