



## The Tax-Free First Home Savings Account

The First Home Savings Account (FHSA) is the latest and greatest registered account, as it was newly introduced in 2023. If you, your children, or your grandchildren are thinking about buying a home, this new account will help you and your family achieve the goal of home ownership.

### How does it work?

The FHSA is a savings vehicle designed to help you purchase your first home. Your investments grow **tax-free**, just like the Tax Free Savings Account (TFSA), and the contributions you make are **tax-deductible**, just like the Registered Retirement Savings Plan (RRSP).

The annual contribution limit is **\$8,000**, with a lifetime contribution limit of **\$40,000**. You are able to carry forward a maximum of \$8,000 unused contribution room in any year. Carry-forward amounts only start accumulating after you open the FHSA.

The FHSA also enables you to **contribute now and claim a tax deduction in a later year**. Students or young adults may wish to carry forward their tax deductions, when they may be in a higher tax bracket.

The FHSA can stay open up to **15 years** or until the end of the year when you turn 71, if this is earlier. If you don't end up purchasing a home, not to worry, you can transfer the funds to your RRSP without it impacting your contribution room.

### RRSP Home Buyers' Plan vs First Home Savings Account

Another way to save for your first home purchase is through the RRSP Home Buyers' Plan (HBP). It allows you to withdraw up to **\$35,000** from your RRSP for a first-time home purchase. Withdrawals are tax-free, but the funds must be repaid back to your RRSP over the next 15 years.

You can take advantage of both the benefits of the FHSA and the HBP. For example, you can withdraw \$35,000 from the HBP and \$40,000 from the FHSA to put towards your home purchase, totaling \$75,000 or \$150,000 if combined with your partner.

The maximum RRSP contribution limit for the 2024 tax year is 18% of your 2023 earned income, up to **\$31,560** less any Pension Adjustment.

## How do I get started?

If you or a family member is seeking to buy a home in the next 15 years, talk to us about the FHSA. It is important for us to learn about your short-term, and long-term financial goals, to better understand if this is the right account for you.

Once the account is open, instead of waiting until the end of the year to make a lump sum contribution, you can also consider creating a **regular monthly contribution plan**. By contributing monthly, your investments will compound, leading to more growth. Remember, **time in the market** is better than timing the market.

One important aspect of the **Life Wheel™** is your Lifestyle, which is all about being able to enjoy your life and meeting your financial goals, knowing your cash flow is organized and prioritized.

Let us know if you would like more information or have further questions, and we would be happy to discuss the FHSA in greater detail.



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