

Q: What is a First Home Savings Account?

A: Introduced in 2023, it is a registered investment account that defers income tax by allowing you to save a portion of your income for the purpose of purchasing your first home.

Q: What are the benefits of a FHSA?

A: (1) Contributions are tax-deductible (you may receive a tax-break via refund).
(2) All growth accumulates inside the plan tax-deferred.
(3) Any withdrawals for the purchase of your first home are tax-free.

Q: What are the qualifications to open an FHSA?

A: (1) You must be 18 years of age to open an FHSA.
(2) You must be deemed a first-time home buyer.

Q: What does it mean to be a “first time home buyer”?

A: If you have not owned a home in which you lived at any time during the five calendar years preceding the opening of an FHSA, you are deemed to be a first-time home buyer.

Q: How much can be contributed in a given year?

A: There is an annual contribution limit of \$8,000.

Q: Is it possible to make up missed contributions from previous years?

A: Yes, you can carry forward any unused contribution room into future years.

Q: Is there a lifetime contribution limit?

A: Yes, each individual can contribute up to a total of \$40,000 maximum.

Q: Is there a limit on how long I can hold an FHSA?

A: Yes. You must close/withdraw/transfer your FHSA after having it for 15 years or by the end of the year you turn 71 years of age, whichever comes first.

Q: Is my contribution tax-deductible?

A: Yes. You can deduct your contribution from your previous year’s income or hold it to deduct in from future income, thus reducing your tax liability.

Q: Is there a contribution deadline in order for a contribution to be tax-deductible in a given year?

A: Yes. A contribution must be made by December 31st.

Q: What is considered a qualified, tax-free withdrawal from an FHSA?

A: (1) You must be a first-time home buyer at time of withdrawal.
(2) A written agreement must be in place before October 1st of the year following the year of withdrawal.
(3) You must intend to occupy the qualifying home (must be located in Canada) as your principal residence within one year of buying or building it.

Q: What happens to non-qualified withdrawals?

A: Non-qualified withdrawal amounts will be included in your income and taxed. Withholding tax will be applied at the time of the withdrawal and remitted to CRA on your behalf.

Q: Am I forced to process a non-qualified withdrawal and be taxed if I decide not to use the funds to purchase a home? What happens if there is excess money left in an FHSA after I've purchased my home?

A: You can transfer, on a tax-free basis, any funds in an FHSA to your RRSP or RRIF. Such a transfer will not affect your available RRSP contribution room.

Q: Can I transfer funds from my existing RRSP to my FHSA?

A: Yes, on a tax-free basis, as long as you have contribution room in your FHSA. Note such transfers will not be tax deductible and will not result in more contribution room in your RRSP.

Q: Can the FHSA be used in conjunction with the RRSP First-Time Home Buyers Plan (HBP) in making a first-time home purchase?

A: Yes. But note that the HBP repayment schedule will still apply for its portion of the funds used for the home purchase.

Q: I have over-contributed to my FHSA. What happens now?

A: Be very cautious not to over-contribute as you will be penalized by the CRA with a 1% tax on the excess amount for every month you are over the limit. The penalty tax will continue to be levied on you until such time that either:

- You withdraw the entire excess amount, or
- The excess amount is absorbed by additions to the unused contribution room in following calendar years.

Q: What investment options are available for FHSAs?

A: Contrary to its misleading naming, FHSAs are NOT strictly savings accounts. Your investment choices are similar to an RRSP or TFSA and include Guaranteed Investment Certificates (GICS), mutual funds, exchange-traded funds, and stocks, among others.

Q: Can I have more than one FHSA?

A: Yes. You can have as many FHSAs as you wish. However, the total contributed amounts across all of your plans cannot exceed the annual and lifetime contribution limits.

Q: Can I transfer funds between two FHSAs in my name?

A: Yes. As long as the transfer is processed correctly, your contribution room will not be impacted nor will you face contribution penalties.