First Home Savings Account (FHSA) – Key Features & Tips

The First Home Savings Account (FHSA) is a powerful tax-advantaged savings tool for Canadians looking to buy their first home.

Here’s what you need to know to maximize its benefits:

FHSA Key Features:

✅ Tax-Free Contributions & Growth

- Contributions reduce taxable income (like an RRSP). Example $8000 in a 29% bracket = Saves $2320 in tax.
- Growth and withdrawals for a home purchase are tax-free (like a TFSA).

✅ Annual Contribution Limit

- $8,000 per year up to a lifetime max of $40,000.
- Unused contribution room carries forward (up to $8,000 per year).

✅ Investment Options
- Can hold cash, GICs, stocks, ETFs, mutual funds, etc.
- Allows tax-free investment growth, so investing wisely is key.

✅ Must Be a First-Time Home Buyer
- You "can't have owned" a home in the current year or the past four years.

✅ Must Be Used Within 15 Years
- If unused after 15 years, funds must be transferred to an RRSP or RRIF (without affecting RRSP contribution limits) or withdrawn (taxed as income).

✅Can Be Combined With the Home Buyers' Plan (HBP)
- You can use both the FHSA and RRSP Home Buyers' Plan ($35,000 withdrawal limit for HBP).

FHSA Optimization Tips

💡 1. Max Out Contributions ASAP.
- Start early to maximize tax-free growth.
- Even if you don’t plan to buy soon, investing early helps your money grow.

💡 2. Invest Wisely
- Since home purchases are usually within 5-15 years, use a mix of:
  - Low-risk investments (GICs, bonds) if buying soon.
  - Growth-focused investments (ETFs, stocks) if buying later.

💡 3. Use Employer Matching (if available)
- Some employers may offer FHSA contributions as a benefit. Take advantage!

💡 4. Combine With a Partner
- If both partners open an FHSA, you can save up to $80,000 tax-free for your home.

💡 5. Transfer to RRSP If Unused
- If plans change, avoid tax penalties by transferring to your RRSP (without using RRSP room).

💡 6. Use It Alongside the TFSA

- If you've maxed out your TFSA, the FHSA is a great alternative for tax-free investment growth.

💡 7. Avoid Withdrawal Mistakes

- Only withdraw when purchasing a home, or you'll pay tax on the withdrawal.

Who Should Open an FHSA?

✔ Anyone planning to buy their first home within the next 15 years.
✔ Those looking for an additional tax-sheltered investment account.
✔ People who want a risk-free RRSP transfer option if they don't buy a home.

For information purposes only.
Details may change, please consult with a professional.

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