First Home Savings Account

One step closer to owning your first home

With higher house prices and higher mortgage stress tests, the dream of owning a first home feels like it is out of reach for many Canadians. Fortunately, the First Home Savings Account (FHSA), from Equitable® could make saving for a first home easier.

The FHSA is a registered plan that gives first-time homebuyers the opportunity to invest up to $40,000 for the purchase of a first home on a tax-free basis. Like a Registered Retirement Savings Plan (RRSP), contributions are tax-deductible, and withdrawals to purchase a first home—including from investment income—are non-taxable, like a Tax-Free Savings Account (TFSA).

How much can I contribute to a FHSA?

- You can contribute $8,000 each calendar year. The lifetime limit on contributions is $40,000.
- You can claim an income tax deduction for contributions made each tax year. Unlike RRSPs, contributions made within the first 60 days of a given calendar year are not attributable to the previous tax year.
- For tax purposes, FHSA contributions can be carried forward and deducted from your taxable income in a future tax year.
- Once you open the FHSA, the contribution room will appear on your Notice of Assessment from the Canada Revenue Agency.

Key Features:

- The FHSA is for Canadian residents 18 to 71 who do not currently own a home or have not owned a home in which they lived at any time in the last four calendar years.
- Annual contribution limit of $8,000.
- Lifetime contribution of $40,000.
- You can carry forward up to a maximum of $8,000 of unused contribution room from the previous calendar year.
- Income earned is not taxable.
- Unused FHSA proceeds can be transferred to a RRSP or Registered Retirement Income Fund (RRIF) on a tax-deferred basis.

What is my contribution room?

- Unlike a TFSA, you do not accumulate contribution room if your FHSA has not yet been opened.
- If you withdraw money from your FHSA unrelated to a home purchase, the money you withdraw is considered taxable income, and the contribution room is not reinstated the following year.
- You can carry forward up to a maximum of $8,000 of unused contribution room from the previous calendar year. For example, if you contribute $5,000 in year one and $5,000 in year two, in year three you could contribute up to $11,000, $8000 of new room from year three, $3,000 remaining from year two, and $0 from year one.

What if I contribute more than my limit?

- If your contribution exceeds your annual limit, you are subject to a 1% tax per month on the excess. This means if you contribute $9,000 in September of year one, you will pay 1% of $1,000 per month until January of year two, a total of $40.

What is a qualifying withdrawal?

- You must have a written agreement to buy or build a home in Canada by October 1st of the year after you make the withdrawal.
- You must intend to live in the home as your principal residence within a year of buying or building it.
- The full FHSA value may be withdrawn on a tax-free basis.

How does the FHSA compare to the RRSP Home Buyers' Plan (HBP) and TFSA?

	RRSP HBP	FHSA	TFSA
Purpose	Mainly to meet retirement needs.	Helps first time homebuyers save toward their home purchase.	Meets savings needs throughout your life and retirement.
Contributions are tax deductible	✓	✓	✗
Withdrawals for home purchase are non-taxable	✓*	✓	✓
For first-time homebuyers only	✓	✓	✗
Annual contribution amount limit	18% of earned income (subject to the annual contribution limit).	$8,000 per year	$7,000 per year**
Maximum withdrawal amount	$60,000	No maximum	No maximum

* Tax-deferred
** Annual limit is set by Canada Revenue Agency guidelines, currently $7,000 per year

Can I use both the HBP and FHSA to purchase a home?

You can use both the HBP and the FHSA for a first home purchase with a maximum of $60,000 under the HBP. There is no maximum from the FHSA. Your $40,000 contribution to the FHSA can grow to a much larger amount by the time you are ready to purchase your home. You will not need to pay back the FHSA withdrawal however, the HBP withdrawal must be repaid, or included as taxable income in future tax years.

How long can I keep the FHSA?

You can keep the FHSA open until December 31st of the year in which the earliest of the following occurs:

a) you turn 71

b) the year following the first qualifying withdrawal

c) the 15th anniversary after the opening your first FHSA.

If you have not used the money 15 years after opening the account, the balance will automatically be converted to an RRSP or RRIF on a tax-deferred basis.

At Equitable, your investment solutions can be tailored to meet your specific objectives. Whether it's Pivotal Select™ segregated funds, or a Daily/Guaranteed Interest Account that provides a low-risk savings option, we offer a complete range of investment products to help you achieve your financial goals with confidence.

Talk to your advisor about the First Home Savings Account and how it can help you save for your first home.

About Equitable

At Equitable we believe in the power of working together. This guides how we work with each other. How we help our clients and partners. And how we support the communities where we live and work.

Together, with partners across Canada, we offer Individual Insurance, Group Insurance and Savings and Retirement solutions. To help our clients protect today and prepare tomorrow.

We believe the world is better when we work together to build an Equitable Life for all.

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