



First Home Savings Account

One step closer to owning your first home

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With rapidly rising house prices and higher mortgage rates, the dream of owning a first home feels like it is out of reach for many Canadians. Fortunately, the new First Home Savings Account (FHSA), from Equitable Life® 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 in a later tax year.
- Once you open the FHSA, the contribution room will appear on your notice of assessment.

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.
- Unused contribution room can be carried forward from past years up to a maximum of \$8,000.
- Income earned is not taxable.
- Unused FHSA proceeds can be transferred to a RRSP or Registered Retirement Income Fund (RRIF) on a tax-free basis.





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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, this contribution room is not reinstated the following year.
- You can carry forward any unused portions of your annual contribution limit. For example, if you contribute \$5,000 in year one, you can contribute the unused amount of \$3,000 in year two, in addition to your annual contribution limit of \$8,000 for a total of \$11,000 in year two.
- Your carry forward amount must not exceed \$8,000 and you cannot contribute more than \$16,000 in the same calendar year. For example, if you contribute \$1,000 in year one and \$1,000 in year two, you can only contribute \$16,000 in year three.

What if I contribute more than my limit?

- If your contribution exceeds your annual limit, you are subject to a 1% tax per month. 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.

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.
- All FHSA funds may be withdrawn on a tax-free basis in a single withdrawal or a series of withdrawals. There is an exception that allows you to make qualifying withdrawals within 30 days of moving into your home.



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How does the FHSA compare to the RRSP Home Buyer's 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	\$6,500 per year**
Maximum withdrawal amount	\$35,000	No maximum	No maximum

* Tax-deferred

** Annual limit is set by Canada Revenue Agency guidelines, currently \$6,500 per year.

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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 \$35,000 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.

How long can I keep the FHSA? What if I decide not to use my savings to purchase a home?

- Your FHSA can remain open until December 31 of the year you turn 71.
- If you have not used the money 15 years after opening the account, the balance can be transferred to an RRSP or RRIF on a tax-free basis. If you do not transfer it by December 31 following the 15th anniversary after opening your first FHSA, the account balance is declared as income and is taxable.

At Equitable Life, your investment solutions can be tailored to meet your specific objectives. Whether it's Pivotal Select™ segregated funds that offer an industry leading fund lineup, or a 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 financial advisor about the First Home Savings Account and how it can help you save for your first home.

TOGETHER

Protecting Today – Preparing Tomorrow™

As a mutual we provide financial security differently by focusing only on our clients. We believe in the power of working together with you and independent advisor partners. Together we offer individual insurance, savings and retirement, and group benefits solutions. We help protect what matters today while preparing for tomorrow.

At Equitable Life, we are people with purpose. We are passionate to provide the right solutions and experiences for you through our partners. We have the knowledge, experience, and the financial strength to ensure we meet our commitments to you now and in the future.



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