



**Power your future: BE INVEST+ED**

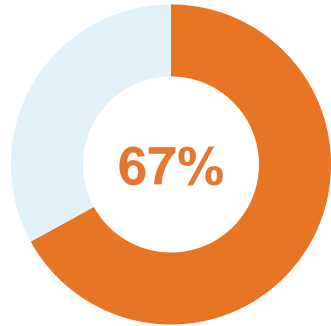
# The First Home Savings Account (FHSA)

A new way to save for a first home



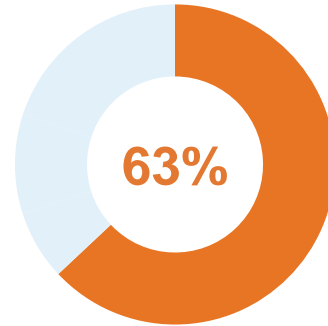
FOR ADVISOR USE ONLY

## Some data...



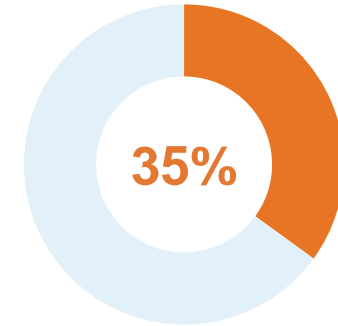
---

**of first-time homebuyers who purchased a home within the last two years worried about having insufficient funds towards their down payment.**



---

**of those who plan to buy their first home in the next two years reported feeling worried that they will miss out due to insufficient down payment.**



---

**of first-time homebuyers nationwide say they received financial assistance in a lump sum payment from their parents or relatives toward the purchase of a home.**

# What is the FHSA (First Home Savings Account)?

The First Home Savings Account (FHSA) is a **NEW** registered plan announced in the 2022 federal budget that allows prospective first-time Canadian homebuyers, to save for their first home, **tax-free**.

Like a **Registered Retirement Savings Plan (RRSP)**, contributions may be deducted from taxable income. Like a **Tax-Free Savings Account (TFSA)**, contributions and any investment returns can be withdrawn tax-free.

# Main features of the FHSA

01

---

**Annual contribution limit:** \$8,000

**Lifetime contribution limit:** \$40,000

02

---

An individual can open **more than one** FHSA, but the contribution limits are **by individual**.

03

---

Eligible investments include those that are **approved for other registered plans**.

04

---

Contributions made to a FHSA are **tax-deductible from income**. Qualifying withdrawals within the FHSA are **tax-free**.

05

---

Contributions are only deductible **in the same calendar year**. Unlike RRSPs, contributions made in the first 60 days of the year cannot be deducted on previous year's tax return.

# Why consider an FHSA as part of a financial plan?



Individuals can contribute up to **\$40,000 for a first home purchase**.  
You can carry forward unused contribution room, up to \$8,000 from prior years, for as long as the account is open.



Reduce an individual's tax bill and carry forward undeducted contributions **indefinitely**.  
These deductions are in addition to any Registered Retirement Savings Plan (RRSP) contributions made in a year.



Pay **no taxes** on any investment earnings or withdrawals used to purchase a qualifying home.



Complements the Home Buyers' Plan (HBP), which can provide individuals with an **additional \$35,000** for a qualifying first home purchase per individual.

# Eligibility

To be eligible, an individual must be:

▶ **A Canadian resident**

▶ **A first-time home buyer**

▶ **Between the ages of 18 and 71, with a valid SIN**

**Non-residents of Canada are not eligible to open an FHSA account but may still be able to make contributions to an existing account.**

**However, withdrawals can only be made by a Canadian resident to purchase a qualifying home located within Canada. If withdrawals are made by a non-resident, the withdrawal will be subject to withholding tax.**

# How the FHSA and HBP can work together?

The FHSA and Home Buyers' Plan (HBP) can be used together for the down payment on a home.

This means an individual can access up to **\$75,000, plus any accumulated returns in the FHSA**. These amounts can be **doubled** when used by spouses or common-law partners.

The Home Buyers' Plan (HBP) is another program offered to individuals to help save for a down payment on a home.

▶ The HBP allows for a lump sum withdrawal of up to \$35,000 from an individual's RRSP or spousal RRSP where the individual is the annuitant.

The FHSA allows for a complete tax-free withdrawal of the balance in the account, including accumulated investment returns.

▶ HBP requires the funds to be repaid to the RRSP or spousal RRSP where the annuitant is the same as withdrawing individual within a 15-year period. Any portion not repaid must be included in taxable income for the year the amount should have been repaid.

# Withdrawal from an FHSA

Qualifying withdrawals from an FHSA to buy a home are not taxable, if the individual is a first-time home buyer and the funds are used to purchase a qualifying home no later than October 1 of the year following the year of the withdrawal.

**01**

---

For the purposes of a qualifying withdrawal, the same definition applies for a first-time home buyer on account opening, with an exception to allow individuals to make qualifying withdrawals within 30 days of moving into a qualifying home.

**02**

---

There is no requirement for withdrawals from the FHSA to be repaid. Contribution room is not restored.

**03**

---

Individuals will not be permitted to open an FHSA after the maximum participation period has ended.

**04**

---

Transfers are also allowed between FHSA accounts, but only as a direct transfer.

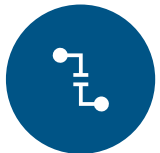
# Closing an FHSA



**Closing an FHSA is allowed at any time, but there may be tax implications in doing so.**

**An FHSA should be closed before the maximum participation period ends to avoid unintended tax consequences. Otherwise, the proceeds of the FHSA will be taxed as income.**

---



**At the end of the maximum participation period, the balance in your FHSA can be transferred to your RRSP or RRIF on a tax-deferral basis without requiring RRSP contribution room.**

**It's important to note that another FHSA cannot be opened after the maximum participation period has ended for the individual.**



The maximum participation period begins when the first FHSA is opened and ends when the earliest of the following:

- December 31 of the year following the first qualifying withdrawal;
- December 31 of the 15-year anniversary of opening the first FHSA; or
- December 31 of the year the account holder reaches age 71.

# Death of an FHSA holder and spousal treatment

Contributions or transfers made before the death of the account holder are tax-deductible under normal rules. However, no contributions or transfers can be made to the deceased holder's FHSA after their date of death.

In the event of an account holder's death, the taxation of funds in the FHSA will vary depending on the type of beneficiary designated. The types of beneficiary designations can include the following:

## 01

---

**The account holder designates a spouse or common-law partner as the successor holder. In this case, the spouse or common-law partner will become the new holder of the FHSA if they are a qualifying individual (at least 18 years old, Canadian resident and a first-time home buyer). They would also have the option of transferring the full FHSA balance to their RRSP or RRIF, or receive the amount as a taxable distribution, by the end of the exempt period — December 31 of the year following the year of account holder's death.**

## 02

---

**If the successor holder is not a qualifying individual, then they cannot become the new holder of the FHSA. They will be required to withdraw the FHSA balance as a taxable distribution or transfer the funds to their RRSP or RRIF directly without any immediate tax consequences, by the end of the exempt period.**

# Death of an FHSA holder and spousal treatment

**03**

The account holder designates a spouse or common-law partner as a beneficiary. In this case the spouse or common-law partner cannot become the new holder of FHSA. The portion of FHSA that they are entitled to can be received as a taxable distribution or transferred directly to their FHSA, RRSP or RRIF without any immediate tax consequences, by the end of the exempt period.

**04**

The account holder did not designate beneficiaries. In this case the amounts from the FHSA will be distributed to the estate and treated as taxable income. If the spouse or common-law partner is a beneficiary of the deceased holder's estate, a joint election may be made with the estate's legal representative to choose from one of the following options:

**05**

Amount transferred from the deceased's estate to the spouse or common-law partner's FHSA, RRSP or RRIF can be deemed to be made from deceased's FHSA, so the transfer will be tax-deferred with no immediate tax consequences.

**06**

Payment made to the spouse or common-law partner from the deceased holder's estate can be deemed to be made from the deceased's FHSA, so the payment will be taxable to the surviving spouse or common-law partner and not the estate.

# Death of an FHSA holder and spousal treatment

07

---

Payment made to the spouse or common-law partner from the deceased holder's estate can be deemed to be made from the deceased's FHSA, so the payment will be taxable to the spouse or common-law partner and not the estate.

08

---

The account holder designates someone other than a spouse or common-law partner as the beneficiary. In this case the amounts received from the FHSA would be taxable to the beneficiary. No tax-deferred transfers are available in this situation.

Spousal plans are not available.  
However, individuals may gift funds to their spouse who then contributes to the FHSA.

## Disclaimer

For advisor use only. This should not be construed as legal, tax or accounting advice. This material has been prepared for information purposes only. The tax information provided in this document is general in nature and each client should consult with their own tax advisor, accountant and lawyer before pursuing any strategy described herein as each client's individual circumstances are unique. We have endeavoured to ensure the accuracy of the information provided at the time it was written, however, should the information in this document be incorrect or incomplete or should the law or its interpretation change after the date of this document, the advice provided may be incorrect or inappropriate. There should be no expectation that the information will be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise. We are not responsible for errors contained in this document or to anyone who relies on the information contained in this document. Please consult your own legal and tax advisor.



**MACKENZIE**  
Investments

180 Queen Street West,  
Toronto, Ontario M5V 3K1  
T 416 967-2380  
F 416 922-3435

FOR ADVISOR USE ONLY

**Power your future: BE INVEST+ED**