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The First Home Savings Account

The First Home Savings Account (FHSA), which along with the Home Buyer's Plan (HPB), is another vehicle to help Canadian's save for their first home. Below are some of the pertinent details of the FHSA:

- A lifetime maximum of $40,000 can be contributed, with an annual limit of $8,000. Unused contribution room carries forward but is capped at an additional $8,000 per year.
- Funds in the FHSA grow tax free.
- A major advantage is that contributions to the FHSA are tax deducible, similar to an RRSP, but can be withdrawn tax free if for the purchase of a first home, similar to a TFSA.
- You can open an FHSA if you are at least 18 and you and your spouse have not owned a home as a principal residence during the current calendar year and the four prior calendar years.
- Funds can be provided by parents or spouses to make FHSA contributions without triggering attribution rules.
- The deductions from making contributions can be carried forward indefinitely, which is a benefit if the account holder is initially in a low tax bracket.
- An FHSA can only be open for 15 years, and if a house is not purchased in that timeframe, then the funds can be transferred to an RRSP or RRIF without any tax consequences (this transfer can take place even if there is no RRSP contribution room available and will not reduce existing RRSP contribution room). Otherwise, the funds can be withdrawn, but will be subject to tax.

If you have any questions on the FHSA, be sure to contact Milestone for more details.