FHSA Plan: designed for first-time home buyers.

As a new registered plan combining the features of Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts (TFSAs), the Government of Canada proposed a Tax-Free First Home Savings Account (FHSA), a plan that allows Canadians to save $40,000 over the lifetime of the plan to help them save for their first home.

The plan is summarized below:

1. Canadian residents 18 years of age or older who are first-time buyers are eligible for this plan.

2. Generally, the account can be kept open for 15 years, or until you turn 71, or until you make a qualifying withdrawal from the FHSA for your first home purchase, whichever happens first.

3. Individuals can transfer funds tax free from RRSP to an FHSA.

4. Contributions would be tax-deductible as an RRSP, and withdrawals from it for the purchase of a first home would not be taxed as a TFSA.

Maximum amount for the individuals is $40,000 for lifetime and an annual cap of $8,000 per year. To a maximum of $8,000, unused contribution space may be carried forward next year.

5. A home purchase will not be taxed, but savings will be subject to taxes if you don't make a purchase and withdraw the funds.

The other option is to transfer funds into an RRSP or RRIF (Registered Retirement Income Fund) on a non-taxable basis, but the funds will be taxed on withdrawal.

What makes FHSA different and beneficial from other funds?

An FHSA does not require you to re-invest the funds, unlike the Home Buyer's Plan, where Canadians are allowed to withdraw up to $35,000 from their RRSPs, subsequently paying those funds back to their RRSPs over 15 years.

For more information contact us on 905-815-8442.