FIRST HOME SAVINGS ACCOUNT

Put your dream of home ownership within reach with a First Home Savings Account (FHSA) at CIBC. The FHSA is a new registered plan in which you can contribute up to $8,000 per year up to a lifetime maximum of $40,000 towards the purchase of a qualifying first home.[1]

The more the money inside the account grows, the more you'll have to put towards a downpayment or other costs associated with buying your first home. Funds withdrawn from the account to purchase a qualifying home are generally tax-free, subject to certain conditions.

Why open an FHSA?

Get a tax deduction when you contribute

When you contribute to an FHSA, you can claim a deduction on your tax return. You can claim the tax deduction in the year of contribution or in a future year (though, like an RRSP, the contribution needs to be reported on the tax return for the year in which it was made).

Invest and grow your savings tax-free

You can keep the money you contribute to your FHSA in cash or use it to invest in guaranteed investment certificates (GICs), bonds, stocks, mutual funds and exchange-traded funds (ETFs). Unlike a non-registered account, any investment income or gains earned inside the FHSA are non-taxable, provided the funds are withdrawn to purchase a qualifying home.

Withdraw your money tax-free

Let's fast-forward to when you're ready to buy a qualifying first home. You can take the money out of your FHSA—including your original contributions and any investment earnings—without paying any tax on it and use it towards purchasing the home.

[1]A qualifying home is defined as a housing unit located in Canada as either an existing home or one that's being constructed.

Eligibility

To qualify for the FHSA, you must:

- Be a Canadian resident with a valid Social Insurance Number
- Have attained the age of majority in your province or territory of residence
- Be a first-time homebuyer

Who is considered a first-time homebuyer?

For the purposes of opening an FHSA, you are considered a first-time homebuyer if you didn't at any time in the current calendar year before the account is opened or in the previous four calendar years live in a qualifying home (or what would be a qualifying home if it was located in Canada) that was owned by you or your spouse or common-law partner. A qualifying home is generally a housing unit located in Canada (for example a house, condominium unit, etc.) and includes existing homes and those being constructed.

Contributions and withdrawals

The table below provides an overview of the rules for contributing and withdrawing funds from your FHSA as outlined by the Government of Canada.

$8,000 annual contribution limit	Up to 15 years to save for a first home	No limit for qualifying withdrawals
Your annual limit can be any mix of new contributions or tax-free transfers from your RRSP. You can carry forward unused annual contribution room for one year (carry forward room only starts accumulating after you open an FHSA). Eligible contributions are tax deductible; RRSP transfers are not.	An FHSA can remain open for a maximum of 15 years, until you turn 71 years old, or until the end of the year following your first qualifying withdrawal, whichever is sooner. If you do not use the funds to buy a qualifying home, you can transfer them into an RRSP or RRIF or make a taxable withdrawal.	If you use your savings towards the purchase of a qualifying home, you can withdraw money from your FHSA tax-free. For the same home purchase, you may also be able to withdraw money from your RRSP through the Home Buyers' Plan (HBP).

Qualifying investments

- An FHSA would be permitted to hold the same qualified investments that are currently allowed to be held in a TFSA including mutual funds, publicly traded securities, government and corporate bonds, and guaranteed investment certificates
- The prohibited investment rules and non-qualified investment rules applicable to other registered plans would apply, including the potential tax consequences

FHSA compared to other registered plans

The FHSA features many of the same benefits of other registered plans such as the RRSP and TFSA. These features can help you save money to purchase your first home sooner. The table below compares the key features and functions of these three registered plans.

	FHSA	RRSP	TFSA
Purpose of use	Saving for home-ownership.	Long-term retirement savings goals.	Short-term and long-term savings goals.
Tax deduction eligibility	Tax deduction for contribution (except for transfers from an RRSP).	Tax deduction for contribution.	No tax deduction for contribution.
Taxation on withdrawals	Tax-free withdrawals for qualifying first-home purchase. Other withdrawals are taxable income.	Withdrawals are considered taxable income.	Withdrawals are tax-free.
Withdrawal advantages	Withdrawals used toward the purchase of a qualifying home are tax-free.	Withdrawals made when you're retired may be taxed at a lower rate than when you're working.	Withdrawals can be re-contributed in a later calendar year.
Contributions	$8,000 annually, up to a maximum lifetime limit of $40,000. Unused contribution room carries forward for one year.	Your annual RRSP contribution limit is 18% of your previous year's earned income, less any pension adjustment, up to a maximum annual limit ($30,780 for 2023). Unused contribution room can be carried forward.	Each year you can contribute up to the TFSA dollar limit for the year ($6,500 for 2023) plus any unused contribution room that has been carried forward.
Over-contribution penalty	1% per month on the highest excess FHSA amount in that month. You will continue to pay the monthly 1% tax until the excess FHSA amount is eliminated.	Generally 1% per month on excess contributions that exceed your RRSP deduction limit by more than $2,000.	1% per month on the highest excess TFSA amount in that month. You will continue to pay the monthly 1% tax until the excess TFSA amount is eliminated.

You can withdraw from an FHSA savings tax-free if all of the following conditions are met:

- You have a written agreement in place before the withdrawal to buy or build a qualifying home in Canada with the acquisition or completion date of the home before October 1 of the year following the date of withdrawal;
- You're a Canadian resident from the time you make your first withdrawal until you acquire the home;
- During the 4 previous calendar years and during the period of the current year ending 31 days before the withdrawal is made, you did not live in a home that you owned or jointly owned;
- You intend to occupy the home as your principal residence within one year of acquiring the home; and
- You have not acquired the home more than 30 days before the withdrawal is made.

Unique aspects of the FHSA

Maximum participation period	RRSP/RRIF transfer or taxable withdrawal
• The plan can only be open for 15 years maximum • Must be wound down by December 31st of year following whichever comes first: – 14th anniversary of open date; – the first qualifying withdrawal; – age 71	• Savings not used to buy a qualifying home can be transferred on a tax-deferred basis to an RRSP (without affecting contributing room) or to a RRIF of the plan holder. The funds may also be withdrawn on a taxable basis.

Why consider using the FHSA and the RRSP Home Buyer's Plan?

- One benefit is that you don't have to choose just one way to save. When you're ready to buy a qualifying first home, you can use money withdrawn from your RRSP under the Home Buyers' Plan (HBP) and from your FHSA.
- With the FHSA, your contributions are tax-deductible and withdrawals are tax-free if used to purchase a qualifying first home.
- The HBP allows you to withdraw up to $35,000 tax-free from your RRSP to help buy your first home. However, the amount you withdraw must be repaid to your RRSP within 15 years. Any withdrawals from your RRSP that are used to purchase a home, that are not part of a HBP withdrawal, will be considered taxable income.

We're here to help

Your wealth plan should be as unique as you and your family. Talk with your CIBC Private Wealth advisor today for more information.