FIRST HOME SAVINGS PLAN

For those who long to buy their first home, there is some much-needed help coming in 2023! A new registered plan, aptly named the First Home Savings Account ("FHSA") would give prospective first-time home buyers the ability to save up to $40,000 on a tax-free basis, contributing a maximum of $8,000 per year. Like a Registered Retirement Savings Plan (RRSP), contributions will be tax-deductible, and withdrawals to purchase a first home, including accrued investment income/growth — would be non-taxable, just like a Tax-Free Savings Account (TFSA).

To open an FHSA, an individual must be a resident of Canada and at least 18 years of age. In addition, an individual must be a first-time home buyer, defined as not having owned a home in which they lived at during the calendar year before the account is opened or at any time in the preceding four calendar years.

An FHSA would not be permitted to continue operating or be opened after December 31 of the year in which the earliest of these events occurs:

- The fifteenth anniversary of the individual first opening an FHSA; or
- The individual turns 71 years old

If you are not able to utilize all $8,000 contribution room in a given year, the unused room can be carried forward to future years, again like the TFSA and RRSP. Upon withdrawal, any savings not used to purchase a qualifying home may be transferred on a tax-free basis into an RRSP or Registered Retirement Income Fund (RRIF). Otherwise, the funds have to be withdrawn on a taxable basis. These transfers would not reduce, or be limited by, an individual's available RRSP contribution room. Individuals that make a qualifying withdrawal could transfer any unwithdrawn savings on a tax-free basis to an RRSP or RRIF until December 31 of the year following their first qualifying withdrawal. A nice benefit!

Investment choices are very flexible, just like a TFSA or RRSP. It need not be a savings account. It can hold a combination of mutual funds, exchange-traded funds, stocks, bonds, or private investments that can provide better returns depending of course on the time horizon, risk tolerance, and objectives of the investor. It seems a win-win to me!

There are several other factors and planning opportunities that are associated with this new incentive. When the Canadian government officially launches the plan this year, it will provide much needed relief for first time homebuyers entering the market. Paying yourself first by retaining at least 10% of your net income into savings is a great way to jumpstart your savings for a home and retirement, and if invested prudently, will serve you well over your lifetime.

If you desire more information, please contact us at Prittie Private Wealth and we will provide guidance on your journey to build savings for a home purchase or whatever other financial goal you may have.

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PRITTIE PRIVATE WEALTH

MANDEVILLE™ PRIVATE CLIENT INC.

Please contact us to set up a meeting to learn more. We make a great cup of coffee and we will cover your parking. There is no obligation!

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