Save for your home **tax-free**

The First Home Savings Account (FHSA) is a flexible investment account that allows Canadians to save tax-free for the purchase of a home.

What is an FHSA?

The FHSA is a tax advantaged[1] registered savings plan. The FHSA is available to Canadian residents 18 years of age or older[2] who have a Social Insurance Number (SIN) and are considered a first-time home buyer. You can contribute up to $8,000 a year into a FHSA up to a lifetime maximum of $40,000 and all investment growth within the plan is tax-free. Contributions are also tax-deductible and reduce your income taxes. Unused contribution room up to $8,000 is carried forward to the following year.

First-Time Home Buyers and Qualified Withdrawals

The FHSA is a great way for first-time home buyers to save for a home purchase. A first-time home buyer is someone who has not owned a home or lived in a home owned by their spouse or common-law partner, in the current calendar year or any of the previous four calendar years.

When it comes time to withdraw from an FHSA to make a home purchase, withdrawals are tax-free if the first-time home buyer is a Canadian resident, signs an agreement to buy or build the home by October 1 of the following year, and did not acquire the home more that 30 days before the withdrawal.

Here are some suggestions to make sure you get the most out of your FHSA:

- FHSA contribution room accumulates only after an account is opened. Even if you don't plan to contribute right away, it can make sense to open an account now so that you'll have additional contribution room in the future.
- Consolidate your FHSAs at one financial institution for better management.
- Parents can gift their children (18+ years of age[2]) funds to contribute to their FHSA to help jump start their home purchase savings.
- Contributions are tax-deductible which reduces your taxable income. You can carry forward this tax deduction to future years which can make sense if a current year's taxable income is lower than what you expect in future years[1].

Ensure your personal information (such as surname, SIN, date of birth, etc.) are correct and consistent between CRA and your financial institution.

How is an FHSA different from a TFSA & RRSP?

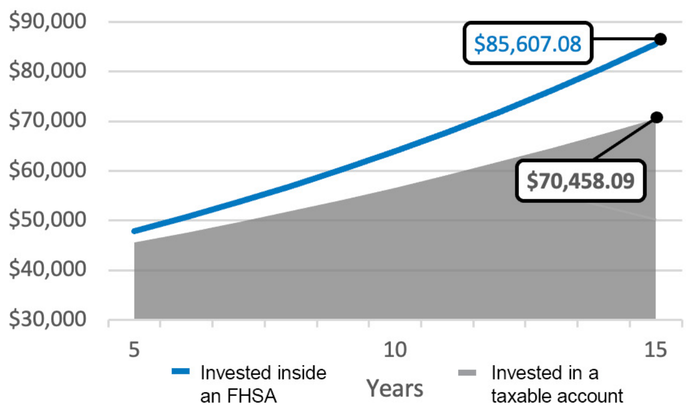
While all three of these account types are great savings vehicles, there are important differences you should be aware of.

	FHSA	TFSA	RRSP
What is the tax treatment[1]?	Contributions are tax-deductible. Investment growth is tax-sheltered. Withdrawals are tax-free if you use funds for a qualifying home purchase.	Investment growth is tax-sheltered. Withdrawals are tax-free.	Contributions are tax-deductible. Investment growth is tax-deferred. Withdrawals are taxable except when withdrawn for the Home Buyers' Plan (HBP) or Lifelong Learning Plan (LLP).[4]
Can I take my money out for any reason?	Yes — you can withdraw at any time, but funds are taxable, and taxes are withheld if not used towards the purchase of qualifying home.	Yes — you can withdraw at any time, for any reason, tax-free.	Yes — you can withdraw at any time, but funds are taxable, and taxes are withheld unless withdrawn under the LLP or HBP.[4]
How much can I withdraw?	The entire balance of the account.	The entire balance of the account.	$35,000 under the HBP which needs to be paid back into your RRSP over 15 years.[4]
How much can I contribute?	$8,000 annually and up to a lifetime limit of $40,000.	Up to the annual contribution limit (e.g., $6,500 in 2023) plus any unused contribution room[3].	18% of previous year's earned income, less any pension adjustment, up to the maximum annual limit.
What is it used for and how can it help me buy a home?	Designed specifically to help first-time home buyers purchase a home.	Can be used for any savings goal including home ownership.	Mainly used for retirement savings but can access funds using the HBP[4] to purchase a home.

FHSA features

- Can contribute up to $8,000 a year with a lifetime maximum of $40,000.
- Contributions are tax-deductible and reduce your taxable income.[1]
- RRSP funds can be transferred into an FHSA but are not tax-deductible and do not restore RRSP contribution room.
- Unused contributions up to $8,000 can be carried forward to the following year.
- You can hold a variety of investments in a FHSA (e.g., cash, guaranteed investment certificates, mutual funds, bonds, stocks).
- Any investment growth earned within the FHSA is tax-sheltered.
- Withdrawals for the purchase of a qualifying home are tax-free.
- Accounts must be closed after 15 years or by the end of the year in which the accountholder turns 71.
- Unused FHSA funds can be transferred to an RRSP or RRIF tax-free.

The benefits of tax-free growth in an FHSA



Projection is based on investments of $8,000 per year for 5 years, up to $40,000 total, at a 6% annual rate of return and assumes investments are made on the first day of the calendar year. A 6% rate of return is for illustrative purposes only. As with any investment product, returns are not guaranteed. Investment returns outside of an FHSA are taxed annually at 33.89%.

Let's connect

For more detailed information on the FHSA and how it can help you reach your financial goals, visit your local BMO branch, visit **bmo.com/fhsa** or speak to a BMO investment professional.

1 Speak to a tax professional regarding tax advice.

2 For some provinces and the territories, you must be age 19, the age of majority, to open a FHSA.

3 You can invest more than $6,500 in 2023 if you have unused TFSA contribution room. The annual contribution room for the calendar years is as follows: 2009, 2010, 2011, 2012: $5,000.00; 2013 and 2014: $5,500.00; 2015: $10,000.00; 2016, 2017, 2018: $5,500.00 and 2019, 2020, 2021 and 2022: $6,000.00.

4 Withdrawals from your RRSP under the Homer Buyers Plan (HBP) or the Lifelong Learning Plan (LLP) must be repaid back into your RRSP. Repayments for HBP start the second year after the year when you first withdrew funds from your RRSP, and you have up to 15 years to repay with 1/15 minimum payments per year. Repayments for LLP start the fifth year after the year when you first withdrew funds from your RRSP as long as you are considered a qualifying student and you have up to 10 years to repay with 1/10 minimum payments per year. Any missed yearly repayments for both the HBP and LLP are added to your income for that tax year and are taxable. Refer to the Canada Revenue Agency website. cra-arc.gc.ca for details.

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