RESEARCH CAPITAL CORPORATION

FIRST HOME SAVINGS ACCOUNT

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Key Features

- You must be a resident of Canada.
- You must be at least 18 years of age (or the age of majority in your province or territory).
- You or your spouse cannot own, or have owned, a home in which you lived at any time in the year that you open the FHSA account or during the previous four calendar years.
- You must be under the age of 72 (you can only hold and contribute up to the year you turn 71).

The Government of Canada introduced First Home Savings Accounts (FHSAs) to help more Canadians attain the goal of home ownership.

Starting in 2023 you can **contribute up to $8,000 per year** to your FHSA and deduct the amount of your contribution from your income for tax purposes. The **cumulative maximum lifetime contribution** is $40,000. This contribution room begins accumulating once an account is opened, even if you don't begin making contributions right away. You can only **carry forward** a maximum of $8,000 in unused contribution room to the following year for a maximum yearly contribution of $16,000.

The income and investment gains on your investments in the FHSA grow **tax free** and, provided the funds in the plan are used to purchase a first home, there will be no tax on withdrawal.

Contact your Research Capital investment advisor today to ask about opening your FHSA!

Frequently Asked Questions

- **What can your FHSA invest in?**

Cash savings accounts, GICs, stocks, bonds, ETFs, mutual funds. All the same investments as TFSA or RRSP accounts.

- **What's the maximum participation period?**

Unlike some types of registered accounts, an FHSA can only be held until December 31st of the year in which the earliest of the following occurs: the 15th anniversary of opening your first FHSA, the year you turn 71, or the year following your first qualifying withdrawal.

- **What happens when you are ready to buy your first home?**

You notify your Research Capital advisor, and they will sell the investments in your FHSA. The resulting cash may be withdrawn from your FHSA tax free, provided that the funds are used to purchase a housing unit in Canada that you partially or fully own.

- **What if you don't buy a home?**

Any withdrawal not used to buy a qualified home will be taxed when withdrawn. If you still have funds in your FHSA past maximum participation period, those funds may be transferred to your RRSP or RRIF account tax free.

Eligibility Criteria

To be eligible to open an FHSA, you must be 18 years or older (but no more than 71 years on December 31 of the year you open an FHSA), a resident of Canada, and be considered a "first-time home buyer." You may be considered **"a first-time home buyer"** if you have not lived in, as your principal place of residence, a home that you own or co-own in the year you plan to open the FHSA or at any point in the preceding four years.

If your spouse or partner owns a home (for instance, through an inheritance or through a previous marriage) but you are not a co-owner and you do not live in the home, and have not lived in it at any point in the preceding four years, you may be considered a "first-time home buyer" for the purpose of opening an FHSA to purchase a (separate) home. But if you are not the co-owner with your spouse or partner but live in their home, you will be considered ineligible to open an FHSA.

Additionally, **if you lived in a home owned by your spouse or common law partner** during the relevant time, but the individual is no longer your spouse at the time the account is opened, you may be considered a "first-time home buyer."

If you are **a couple looking to purchase a home**, it's important to note that both you and your partner may open your own FHSA, provided you each qualify individually. As a couple, you can both use your qualifying FHSAs withdrawals for the same qualifying home purchase.

Difference between FHSA and TFSA or RRSP

Think of an FHSA, which is a registered plan, as a hybrid version of a Registered Retirement Savings Plan (RRSP) and a Tax-Free Savings Account (TFSA) for the purpose of buying a first home.

The main difference between an FHSA and a TFSA is that an FHSA is designed to help first-time homebuyers purchase a home, whereas a TFSA can be used for any savings purpose, and funds can be withdrawn from it at any time. An FHSA also allows tax-deductible contributions, whereas TFSA contributions are not tax-deductible.

However, like a TFSA, the FHSA allows your savings to grow tax-free without having to pay tax when making a qualified withdrawal to purchase a qualifying home.

At the same time, like an RRSP, funds contributed to an FHSA are generally tax-deductible – meaning that you can claim an income tax deduction for your eligible contributions each taxation year. Unlike RRSPs, contributions that you make to your FHSAs during the first 60 days of the year are not deductible on your previous year's income tax and benefit return. You also cannot claim a tax deduction for any FHSA contributions that you make after your first qualifying withdrawal.

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Information about the First Home Savings Account is based on what is currently available from the Canadian government and can be subject to change.

1)You may be eligible to open an FHSA if you or your spouse have never owned a home in which you lived at any time during the part of the calendar year before the account is opened or at any time in the preceding four calendar years.

2)Assets in an FHSA must be Qualified Investments under the Income Tax Act. If the FHSA holds non-Qualified Investments, it could be subject to tax.