

SAVINGS AND
INVESTMENTS

Saving that opens doors

Do your clients dream of
becoming homeowners?
The FHSA can help.



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People
protecting
people

The First Home Savings Account (FHSA)

What's not to love about the FHSA? The FHSA has everything future homeowners could want as they eagerly look forward to buying their first home. It's often described as combining the best features of a TFSA and an RRSP, without the drawbacks. Let's see if that's true.

Key benefits of the FHSA

The FHSA is the only registered plan that combines a tax deduction when contributions are made and tax-free withdrawals for the purchase of a first home. This unique combination provides a double tax advantage.

- Contributions are deductible from taxable income, which may reduce the amount of income tax your clients pay.
- Amounts withdrawn to purchase a first home are completely tax-free. Unlike withdrawals made under the Home Buyers' Plan (HBP), FHSA withdrawals do not need to be repaid.
- Your clients can contribute up to \$8,000 per year, to a lifetime maximum of \$40,000.
- Once the FHSA is open, unused contribution room can be carried forward to the following year, up to \$8,000. Unlike the TFSA, contribution room only begins accumulating after the FHSA is opened.
- Your clients can transfer funds from an RRSP to an FHSA without immediate tax consequences, provided they remain within their FHSA contribution limits.
- The FHSA can be combined with the HBP to increase a home purchase down payment.
- Contributions can be made over a maximum period of 15 years. If the funds are not used to purchase a first home, they can be transferred to an RRSP or RRIF without immediate tax consequences. This transfer does not reduce RRSP contribution room.
- For couples, each spouse can open their own FHSA and benefit from their own contribution limits.

Because the FHSA can be suitable for many people who have never owned a home, it should be considered as part of many clients' savings strategies

TFSA, RRSP or FHSA?

To better understand the FHSA, let's compare it with the TFSA and the RRSP.

Criteria	TFSA	RRSP	FHSA
Target clients			
Clients	Varied: • People saving for a project or goal • High-net-worth people seeking additional tax-sheltered savings beyond RRSP limits • Retirees who do not require retirement income • And more	People saving for retirement or the purchase of a first home	People who wish to save and who have not owned a home during the previous four years
Eligibility	Canadian residents aged 18 and older, whether they earn income or not	Canadian residents up to age 71 who earn income	Canadian residents aged 18 ¹ to 71 who have not lived in a home owned by themselves or their spouse: • At any time during the calendar year before the FHSA was opened OR • During the previous four years (except for an ownership interest of less than 10%)
Contribution limit			
Contribution limit	\$7,000 a year	Based on earned income (18%), less the pension adjustment, if applicable; maximum: \$33,810 in 2026	\$8,000 per year, \$40,000 lifetime
Unused contribution room carried forward	Unlimited	Unlimited	Up to \$8,000 once the FHSA is opened (maximum contribution period: 15 years)
Withdrawn amounts may be re-contributed	Yes, starting the following year	No	No
May hold more than one plan with different financial institutions, provided contribution limits are respected	Yes	Yes	Yes
Overcontribution	1% penalty per month	1% penalty per month + \$2,000	1% penalty per month

1. Depending on the province or territory, the minimum age may be 18 or 19.

Criteria	TFSA	RRSP	FHSA
Investments			
Eligible investments	GICs, funds, bonds, stocks, etc.	GICs, funds, bonds, stocks, etc.	GICs, funds, bonds, stocks, etc.
Taxation			
Contributions are deductible from taxable income	No	Yes	Yes
Tax on investment income	No	No	No
Tax on withdrawals	No	Yes	No
Impact on income-tested government benefits or credits	None	Yes	None
FHSA and couples			
Divorce or separation	Funds may be transferred to a former spouse's TFSA without tax consequences for that person (no tax payable and no impact on their contribution room). This transfer does not restore the contribution room of the spouse making the transfer	Funds may be transferred to the spouse's RRSP on a tax-deferred basis	Funds may be transferred to a former spouse's FHSA on a tax-deferred basis
Death	No tax consequences if the surviving spouse is the sole beneficiary and successor holder after death.	Funds may be transferred to the spouse's RRSP on a tax-deferred basis following death	The spouse or common-law partner may become the FHSA holder without affecting their contribution room, provided they meet the eligibility requirements. Another option: transfer the funds to an RRSP on a tax-deferred basis
Beneficiary designation for an annuity	Yes	Yes	Yes

FHSA features

Who is the FHSA right for?

The FHSA is ideal for future homeowners of any age who dream of buying their first home. Whether they're just starting to save or already have a home purchase in mind, the FHSA allows them to build a down payment while benefiting from attractive tax advantages.

The FHSA also presents an opportunity for parents and grandparents who wish to provide financial support to a child or grandchild. Although they cannot contribute directly to someone else's FHSA, they can make a gift that the recipient can deposit into their own account. This strategy can help young adults build their down payment more quickly, even if homeownership is not yet part of their immediate plans.

Eligibility

To open an FHSA, an individual must be a resident of Canada and between 18 and 71 years of age.

However, in the following provinces and territories, the age of majority for entering into a contract, including opening an FHSA, is 19:

- British Columbia
- Newfoundland and Labrador
- Nunavut
- New Brunswick
- Northwest Territories
- Yukon
- Nova Scotia

Individuals who have not yet reached the age of majority will need to wait before opening an account.

Contribution limit

Your clients can contribute up to \$8,000 per year to an FHSA, to a lifetime maximum of \$40,000.

They can also receive gifts from a parent, grandparent or other family member to help fund their account. However, contributions must be made to the account holder's own FHSA and remain within their available contribution room.

Unused contribution room can be carried forward from one year to the next, up to a maximum of \$8,000. As a result, clients who do not contribute the maximum amount in a given year can recover a portion of their unused contribution room later on.

Be careful not to overcontribute to an FHSA! A 1% monthly penalty applies to excess contributions.

Investments

Tailor the FHSA to your clients' needs. Depending on their risk tolerance and the time horizon before purchasing a home, an FHSA can take the form of a guaranteed interest account or an investment account.

Taxation

By contributing to an FHSA, your clients can reduce their taxable income, which may lower the amount of tax they have to pay.

Investment earnings within the FHSA grow on a tax-sheltered basis.

When the time comes to withdraw funds from the FHSA to purchase a home, the withdrawal is tax-free.

If funds are withdrawn for any reason other than the purchase of a first home, the withdrawal is taxable. Such withdrawals may also reduce entitlement to certain government benefits.

How can this be avoided? By transferring FHSA assets to your clients' RRSP or RRIF.

FHSA and couples

In the event of a separation, funds held in an FHSA may be transferred on a tax-deferred basis to the other spouse's FHSA. To qualify, the transfer must result from a written separation agreement or court order and be completed directly between financial institutions.

In the event of death, the FHSA may be transferred to the surviving spouse, provided they are eligible. This transfer has no impact on their FHSA contribution limits. If FHSA assets are paid to other beneficiaries, those beneficiaries will be required to pay tax on the amounts received.

When FHSA assets are held in an annuity contract, your client can designate a beneficiary in the event of death. This option, which we offer, allows clients to specify who will receive the proceeds. Yet another advantage of investing through an annuity!

The information presented in this guide was accurate at the time of publication, based on information available from the Canada Revenue Agency. However, it does not constitute legal advice.

To open an FHSA, use form T077.

For more information, go to beneva.ca.