First Home Savings Account (FHSA) Frequently Asked Questions

An FHSA helps you save up to make a down payment on your first home. When you contribute you get a tax deduction, and when you withdraw to make your down payment you pay no tax. In between, your money grows tax-free, which means it can grow faster than it would outside the FHSA.

Opening a FHSA

Who qualifies?

To open an FHSA, you must be a first-time home buyer, which means you have not owned a home this year or in any of the previous four years. You must also be age 19 (in BC) to 71 and a Canadian resident with a valid social insurance number (SIN).

How much can I contribute?

You can contribute up to $8,000 a year to a maximum lifetime contribution limit of $40,000. You are the only person who can make contributions to your FHSA. You can also contribute "in kind" — moving non-registered securities like mutual funds into your FHSA.

Can I carry forward unused contribution room?

If you don't make the full contribution, you can carry forward up to $8,000 in total unused contributions to a future year. (So, you can't miss two years' contributions and save up $16,000 in room.) Also, you only start accumulating contribution room in the year you open your FHSA.

Growing an FHSA

How can I invest my FHSA savings?

In general, investments that qualify for other registered accounts, such as TFSAs and RRSPs, also qualify for FHSAs — including term deposits and mutual funds. If you're buying term deposits, make sure you choose terms that will give you access to your money when you need it. If you're buying mutual funds, make sure you pick ones that suit the time you have before you need to withdraw your money.

What about the tax deduction?

When you contribute, you can deduct the full amount of your contribution against your income. You can claim this deduction either the year you contribute or in any future year. For example, it may make sense to delay using the deduction if you expect your taxable income to be higher in a future year.

What if I contribute too much?

Do your very best not to! There is a 1% penalty every month on over contributions for as long as they remain in your FHSA. That's why it's critical to track your contributions and carry forward room carefully.

Withdrawing from a FHSA

How do withdrawals to buy a first home work?

When you find the home you want to buy, you can withdraw tax-free the full amount you've accumulated inside your FHSA (contributions plus investment growth) to make the down payment. You must still meet the requirements to open an account (see "Who qualifies?") and the home must be in Canada. In addition, you must make the withdrawal within 30 days of moving into your new home or have a written agreement to buy or build a qualifying home before October 1 of the year following the withdrawal.

How long can the plan stay open?

You can keep your FHSA open for a maximum of 15 years or until the end of the year you turn 71 (whichever comes first). Once you make a qualifying withdrawal to buy a home, you have one year to close the account. After either of these situations, you cannot open a new FHSA.

What happens to money in the plan when it closes?

If there's money left inside your FHSA when it closes, you can arrange for all of it to transfer tax-free to your RRSP or RRIF. This doesn't depend on having contribution room available. If you don't transfer to an RRSP or RRIF, you can simply withdraw the money but it will be taxed as income.

Use all the tools to buy your dream home

One of the biggest benefits of opening an FHSA is the extra space it gives you to grow your money tax-free. It's important to think of this new account as part of your overall financial plan — which may also include other places that offer tax-free or tax-deferred growth such as a TFSA and RRSP. Grow money in all three accounts and, when the time comes to make a down payment on your first home, you can:

- Withdraw the entire balance tax-free from your FHSA
- Withdraw the entire balance tax-free from your TFSA
- Borrow up to $35,000 tax-free from your RRSP through the Home Buyers' Plan and repay it over 15 years

Three plans working for you can put home ownership within reach. Speak with your Prospera advisor about strategies to fit registered plan contributions into your budget and appropriate investments that can help you grow your money.

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