

# RRSP - HOME BUYER'S PLAN & FIRST HOME SAVINGS ACCOUNT

With the introduction of the Tax Free First Home Savings Account (FHSA) becoming available in 2023 I thought it would be helpful to do a high level comparison with the RRSP's First Time Home Buyers Plan (HBP).

## RRSP - HBP

- Annual contribution limit is 18% of your previous year's income up to an amount set by CRA, which changes each year, (plus any unused space from previous years)
- Can use up to \$35,000 for the HBP without having the withdrawal trigger withholding tax or income tax on that amount
- Cannot use Group RRSPs or Locked In RRSPs
- RRSP contributions must remain in the account for at least 90 days to get the benefit of the income reduction for that tax year
- Repayments begin the 2nd year after your initial withdrawal was taken
- Funds are to be repaid over the next 15 years
- Annual minimum repayment is 1/15 of the total withdrawal
- Repayments consist of contributions to your RRSP. At tax time you will indicate whether the contribution was a "repayment" or a "new contribution"
- You may repay more than the minimum repayment required
- You may repay less than the minimum and the difference becomes taxable income

## FHSA

- Available April 1, 2023
- Contribution room begins when the account is first opened, must be Canadian resident, 18 years of age or older and a first time home buyer
- Can contribute up to \$8000 per year to a lifetime maximum of \$40,000
- ONLY \$8000 of unused space can be carried forward each year
- Unused funds can be transferred to an RRSP or RRIF
- Contributions will produce a tax receipt to deduct from your income for that tax year or carried forward to reduce taxable income in a future year(s)
- Withdrawals do not reopen contribution space

**If you maximize both programs you could have \$75,000 PLUS growth available for your first home purchase!**

Questions? Do you have something you'd like simplified and/or put into perspective? Contact our office today!

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By Shari Hall



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