Strategy UPDATE
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What you should know about the new First Home Savings Account

If you're saving for a first home, you've probably heard of the Home Buyers' Plan (HBP). This long-running program allows you to borrow up to $35,000 from your registered retirement savings plan (RRSP) to buy or build a qualifying first home for yourself and then repay the amount you borrow over the next 15 years.

Starting in April 2023, the Canadian government is introducing a brand new savings account, called the First Home Savings Account (FHSA). A cross between an RRSP and a Tax-Free Savings Account (TFSA), the FHSA allows you to save up to $8,000 a year up to a maximum of $40,000 for your first home.

It's a cross between an RRSP and TFSA because, like an RRSP, the contributions you make to an FHSA are tax-deductible and, like a TFSA, the money you earn from your FHSA investments over time are not taxed – as long as these funds are used toward the down payment of your first home within 15 years of opening your account.

(Keep in mind there is also other support for first-time homebuyers in the form of the First-Time Home Buyers' Tax Credit and the First-Time Homebuyer Incentive – ask your advisor or financial institution for details.)

Here are some interesting features and benefits of the FHSA you should know about:

You don't have to choose between using the HBP and FHSA to buy a first home – you can use funds from both, which could amount to more than $75,000 toward a home.

What's inside

First Home Savings Account (FHSA)

Annual tax-deductible contribution limit per person	Maximum lifetime amount & down payment per person	Combined Federal Government Programs for First Home Buyers
$8,000	$40,000	Add up the cumulative benefits available

Flexibility and options

Carry forward	transfers (included from one FHSA to another)			Withdrawals	Home buyers plan	
Carry forward unused amounts (up to $8000) once account has been opened	Can transfer funds from RRSP on a rollover basis up to FHSA limits	May transfer unused funds to RRSP or RRIF tax free; no impact on RRSP contribution room	Only spouse or common law partner may be named as successor holder and have the transfer sent to their RRSP or RRIF if ineligible for FHSA	Withdrawals tax-free if used to purchase first home only; not included in net income	Home buyers plan 1st time home buyers tax credit → 1st time home buyers incentive (available to March 31, 2025) → repayable on earlier of sale or in 25 years →	$35,000 ≤ $10,000 5 or 10% towards purchase Share equity mortgage lowers payments

Eligibility

First time buyer	Resident of Canada	Location of home	Primary resident	Age	Agreement
Did not occupy home you owned during any part of calendar year before making withdrawal or in previous four years	Must be Canadian resident at time of purchase Non-residents may contribute to existing plan; must be Canadian resident to make tax-free withdrawal	Qualifying home must be housing unit located in Canada; includes share in cooperative housing corporation that entitles possession and has equity interest	You must be the primary resident of the home within one year of purchase or after built	18-71	Must have written agreement to buy or build qualifying home before October 1 of the year following the year of withdrawal

Qualifying investments

Prohibited and non-qualified investment rules applicable to other registered plans apply

GICs/term deposits	Savings accounts	Bonds	ETFs	Equities/stocks	Mutual funds	Segregated funds

Other considerations

15 year time limit	Excess contributions	Non qualifying withdrawals	Deductions	Spousal contributions	Marital breakdown
Up to December 31 of the year after opening account and up to age 71	Penalty of 1% per month; carries over to surviving spouse who takes over account	Included in taxpayer's income and is taxable	Not required to claim deduction for tax year in which contribution is made; can be carried forward	Deductions only available if you contribute to your own plan; no attribution rules if contributing funds transferred from spouse	Split amounts transferred directly to other party's FHSA,RRSP or RRIF **Beneficiary on death** If other than spouse, taxable to beneficiary and withholding tax

If you're a couple, you can combine your individual HBP and FHSA savings toward a joint new home purchase.

If you don't contribute the full $8,000 a year to your FHSA, like your TFSA and RRSP, that contribution room gets added to subsequent years' contribution room until you reach your $40,000 maximum lifetime contribution.

Your annual FHSA contribution gives you a tax deduction, exactly like your RRSP – so the FHSA is almost like getting bonus RRSP contribution room, except that those funds must be used in the future for your first home.

If you don't know whether to use the HBP or FHSA to buy your first home and you don't want to use both, it makes more sense to use the new FHSA because, unlike the HBP, you don't have to repay the funds in the future.

It's worth pointing out that, while it's called a First Home "Savings Account", you're not limited to leaving the funds you save in a traditional low-interest-type savings account. Inside the FHSA account, just like in an RRSP account or TFSA account, the funds can be invested in financial products like GICs, ETFs, mutual funds, stocks and bonds.

Finally, if down the road you decide not to purchase a first home with the funds in your FHSA, you can cash out the funds and pay income tax on them. Or you can also transfer those funds, tax-free, into your RRSP.

To learn more about the FHSA or other accounts and plans like the ones discussed here, please don't hesitate to reach out to us anytime.

Choosing an executor for your Will

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As you work with your advisor to design an estate plan, you'll likely be thinking about drafting or updating your Will and selecting an executor. This is the person – or often trust company (more on that later) – that will ensure your wishes are carried out after you've passed, including collecting and overseeing your estate's assets, paying any debts you may have and dividing the remaining assets among your beneficiaries.

If your estate is straightforward or if your assets are mostly being transferred to a surviving spouse, the executor's work can be relatively easy. However, when a person's assets are being transferred to the next generation, or if your estate is more complex, the work of an executor can become much more time-consuming.

For instance, while your Will's executor isn't technically an executor until after probate is granted (and that can take a year or more), the individual you choose will likely be involved right from the start, in funeral planning, finding out where all your bank and investment accounts are and making sure they're frozen, securing physical assets like your home and cottage and ensuring taxes, insurance and other fees are paid on the properties. They'll also likely need to call on other experts to help them navigate all the ins and outs – lawyers, accountants and even art dealers who may be needed to evaluate art you own.

All this to say, it's important to choose someone you can trust and who you believe is up for a variety of Will-related responsibilities when they're called upon. There are a few more practical reasons to think carefully about when it comes to selecting your executor:

The reality is people are living longer so you may be 60 when you choose your 35- or 40-year-old children as executors. But if you pass away at 95, those kids will be 75 or 80 and may have health or mobility issues of their own. The last thing they may want are the complex duties required to be an executor.

In recent years, the role of an executor has also become more prone to liability. For instance, reporting for the purpose of calculating an estate's probate fee used to be an honour system. Today, there's a formal estate information return that must be filed. The executor is liable for its accuracy and it can be subject to an audit for up to four years.

Executors can also sometimes be thrown into the role of mediators, even when they're not required to – for instance, when arguments erupt between heirs about who or should be inheriting what. The executor's role is to follow the Will and leave feuds and possible litigation to others in the future.

For these reasons and many others, more people are choosing corporate trustees, bank-owned trust companies or smaller online firms to administer their Will and estate. And more executors, once they realize how difficult executing the Will is, are delegating their responsibilities to these organizations as well.

Most important of all, in our opinion, is not just choosing the appropriate executor to administer your Will but also having a well-designed estate plan in place, one that provides for the smoothest transition possible once you're gone.

PBD helps – and you can too!

Since 2020, Polson Bourbonniere Derby has actively supported both Canadian and global charitable causes recommended by you – our valued clients. We believe in collective action and creating a better future for all. If you would like to recommend a charity that is close to your heart for us to support, please email us at info@pbfinancial.com to be a part of our philanthropic efforts.

At the start of each month, we will be showcasing a single charity on our website www.worryfreeretirement.com as our charity of the month, in hopes to raise awareness and inspire others to get involved. Together, we can make a meaningful difference in the world by working towards creating a Worry-Free environment for all.

We eagerly await your recommendations and are excited to work together to make a lasting impact. Thank you for joining our charitable journey in building a brighter future.

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