



MACNICOL & ASSOCIATES
ASSET MANAGEMENT INC.

Bringing it home with the new First Home Savings Account (FHSA)



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About Us

- Established in 2001
- Private clients, RRSP, RRIF, TFSA, RESP, RDSP, FHSA, family trusts, estates, holding companies, IPP, PPP and charitable foundations
- 100% owned by principals
- Secure custody & strong administrative support

Highly qualified investment professionals with international experience

David MacNicol
**President & Portfolio
Manager**



Ross Healy
**Senior Portfolio
Manager**



Joseph Pochodyniak
**Senior Portfolio
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Assets**



Cesar Cossio
**Associate Portfolio
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**Manager, Client
services**



Ruchi Aggarwal
Portfolio Administrator



Mark Dormer
Controller



Dennis Foot
Marketing and Design



Donovan Fowke
Marketing



Diane MacNicol
Office Manager



Housing (un)affordability in Canada

	1980	Growth	2023
House	\$75,000	10x	\$716,000
Down Payment 20%	\$15,000		\$143,200
Interest Rates	14.7%		7%
Average Monthly Payment	\$755	5x	\$4,048
Average Household Income	\$28,229	3x	\$92,764
Mortgage Payment as % of Income	32%		52%

To Be Equal to 1980 the average Canadian household would have to make \$151,456

<https://www.upi.com/Archives/1982/09/28/Average-family-incomes-in-Canada-rose-by-8-percent/4631402033600/#:~:text=Individuals%20reported%20an%20average%20income,making%20much%20less%20than%20males.>
<https://www.cbc.ca/news/business/crea-housing-data-1.6843592>

What is the first home savings account (FHSA)



The first home savings account (FHSA) is a registered plan allowing first-time home buyers to save for a first home. You can open an FHSA in August **2023**.

What is a First Home Savings Account (FHSA)?

A FHSA combines some of the features of a Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA).

Like an RRSP, contributions will generally be tax-deductible. Similar to TFSA withdrawals, when a qualifying withdrawal is made to purchase a qualifying home, the amount withdrawn, including any income or gain, is not-taxable

So how long can I have a FHSA?

The Lifespan of a FHSA account varies.

The account will be closed when whichever of the following occurs first:

- Account was open for 15 years or
- Until the end of the year in which you turn 71 or
- Until Dec 31st of the year after buying your first home

Money can be transferred to a RRIF or RRSP but is not tax deductible.



How to open, participate and transfer funds to a FHSA

- To open a FHSA you must be a “qualified” individual:

- 1. You must be at least 18 years of age but not older than 71**

- 2. You must be a resident of Canada**

- 3. You must be purchasing your very first home**

* You can also open a FHSA if you sold your residence 4 years prior and did not purchase a home after the transaction. *

(Note that you must meet *all three* criteria listed above)

How to open, participate and transfer funds to a FHSA



The FHSA has an annual contribution limit of \$8,000 and the FHSA has a lifetime maximum contribution of \$40,000.

How to open, participate and transfer funds to a FHSA



You can also fund your FHSA by transferring existing RRSP holdings however any transfers to your FHSAs from your RRSP will *reduce* your remaining lifetime FHSA limit.

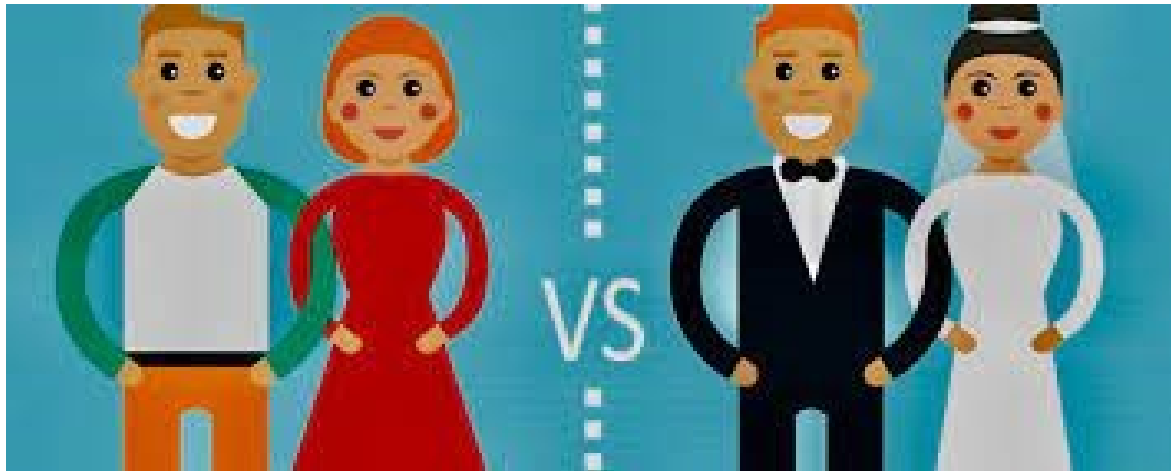
How to open, participate and transfer funds to a FHSA



A maximum of \$8,000 unused contribution room can carry forward to the following year. This amount is referred to as your FHSA carryforward.

(Your FHSA carryforward can be found on your Canada Revenue Agency **Notice of Assessment**)

How to open, participate and transfer funds to a FHSA



You are not permitted to participate directly in your spouse's or common-law partner's FHSA.

ONLY the holder of the FHSA can claim the FHSA contributions as a tax deduction on their income tax and benefit return.

Withdrawals, tax deductibility and overcontribution



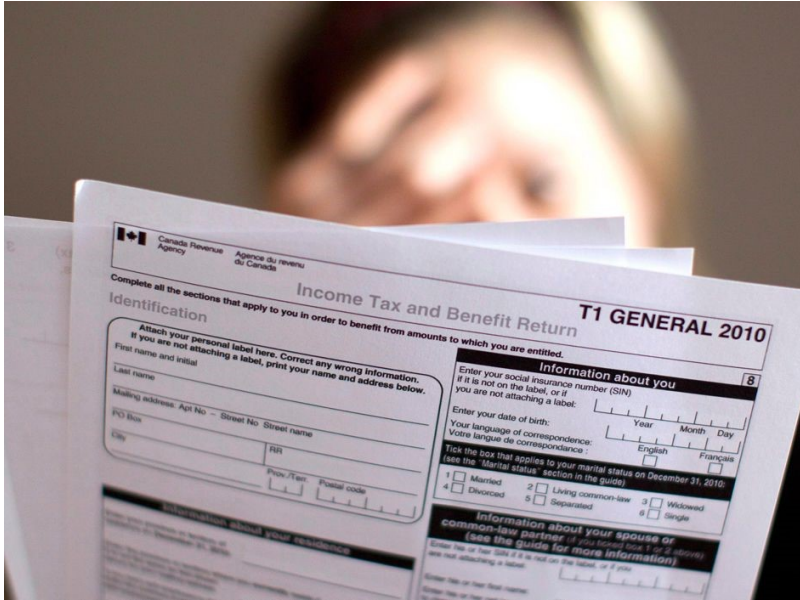
Unlike RRSPs, contributions that you make to your FHSAs during the first 60 days of the year are not deductible on your previous year's income tax.

You also cannot claim a tax deduction for any FHSA contributions that you make after your first **qualifying withdrawal**.

Withdrawals, tax deductibility and overcontribution



2023: April 1 to December 31



The contribution period for your FHSAs is a calendar year. For 2023, FHSAs can only be opened as of April 1, 2023. So, the contributions that are tax-deductible this year must be made between April 1 and December 31, 2023.

There is no minimum number of days that contributions you make to your FHSAs need to stay in your FHSAs before you can deduct them on your income tax and benefit return.

Withdrawals, tax deductibility and overcontribution



You will have an excess FHSA amount if the total of your contributions to your FHSAs and transfers from your RRSP are more than your FHSA participation room for the year.

Withdrawals, tax deductibility and overcontribution



You have to pay a tax of 1% per month on the excess FHSA contributions. You will continue to pay the monthly 1% tax until the excess FHSA amount is eliminated.

Your excess FHSA amount will be reduced or eliminated by your new FHSA contribution room (on January 1 of the following year), or by removing amounts from your FHSAs.



Death, divorce and non-residency



No contributions or transfers can be made to the deceased holder's FHSAs after their date of death.

Death, divorce and non-residency



After the death of the holder, the tax consequences will vary depending on the type of beneficiary.

After the death of the last FHSA holder, all FHSAs should be closed by the end of the exempt period.

If the account is not closed by the end of the exempt period, the account will cease to be an FHSA.

If there is property remaining in the FHSA at the end of the exempt period, each beneficiary of the FHSA must include in their income tax return as income.

Death, divorce and non-residency

You are not permitted to transfer property from your FHSA to your current or former spouse or common-law partner without tax consequences.

However, there are no immediate tax consequences if you make a transfer from your FHSAs to an FHSA, RRSP or RIF of your former spouse or common law partner if certain conditions are met.



Death, divorce and non-residency



The maximum amount you transfer to your current or former spouse or common-law partner's FHSAs, RRSPs, or RRIFs is: the total FMV of all of your FHSAs minus your excess FHSA amount.



¹ When both conditions are met, the transfer will not impact your current or former spouse or common law partner's unused FHSA or RRSP contribution room.

Death, divorce and non-residency



Only residents of Canada can open a first home savings account (FHSA).

If you become a non-resident of Canada after you open your FHSA, you can continue to contribute normally, with one exception: you **cannot** make a qualifying withdrawal to build or buy a home.

Death, divorce and non-residency



If you are a non-resident of Canada, any taxable withdrawal from your FHSA will be subject to withholding tax in the year of withdrawal.

The withholding tax is 25% for non-residents of Canada, unless reduced by a treaty.



How to open, participate and transfer funds to a FHSA



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MacNicol & Associates Asset Management can help you open a First Home Savings Account today.

Q&A

