



Photo Credit: Alison Seidl

Summer is here along with the long days for us all to enjoy! I hope this finds you out and about in our beautiful province and taking in nature safely and responsibly. Markets tend to lag over the holiday season so do yourselves a favor and try not to look at the drama of the news as it may or may not affect your investments. I hope the war in the Ukraine gets resolved over the summer and we can look ahead at positive changes through the development and use of a more environmental and wildlife friendly life.

Take care.

Leslie

New Tax-Free Home Savings Account

Canadians looking to save a down payment to buy their first home will have a new tax-free savings account to use starting next year.

Important Dates



- August 7 – BC Day
- September 4 – Labour Day
- October 9 - Thanksgiving
- November 11 – Remembrance Day
- December 25 – Christmas Day
- January 1 – New Years Day

Calculators and Planners



Tax Calculator

<http://www.ey.com/ca/en/services/tax/tax-calculators>

TFSA/RRSP Calculator

<https://dynamic.ca/en/tools/calculators-and-planners/calculators-and-planners/tfsa-rrsp-savings.html>

Retirement Calculator

<https://dynamic.ca/en/tools/calculators-and-planners/calculators-and-planners/retirement-planner.html>

The federal government announced the Tax-Free First Home Savings Account (FHSA) in the budget as well as a doubling of the first-time homebuyers' tax credit to up to \$1,500 in an effort to make it a little easier to buy a home.

Contributions to the new accounts will be tax deductible, just like registered retirement savings plan (RRSP) contributions, and the money in the accounts and any investment gains will not be taxed when it is taken out to buy a qualifying first home.

The accounts will have a \$40,000 lifetime limit on contributions and an annual contribution limit of \$8,000. The unused annual contribution room can be carried forward.

Canadians are also feeling pinched by inflation as rising prices for everything else take a larger bite out of already stretched household budgets.

Borrowing costs are also rising as the Bank of Canada raises its key interest rate target which has a direct impact on variable rate mortgages. Rates for fixed-rate mortgages have also risen, increasing the costs for first-time buyers opting for more certainty when it comes to the interest rate on their mortgage as well as those who need to renew their mortgages.

Mathieu Laberge, a partner for advisory services and a regional economic and policy leader at KPMG, says the new savings account provides the right incentive for people to save for a down payment on a first home.

"What first-time homebuyers are struggling with right now is to accumulate sufficient capital for a down payment," Laberge says.

"I think it was developed in a way to maximize incentives for savings in the sense that it's like an RRSP. The amounts you put into the account are actually tax free and when you withdraw them, unlike an RRSP, you're not taxed on them."

Laberge says some potential homebuyers might also use the accounts to save for a little longer than they otherwise would and accumulate a little more before making a move on a home, something that may ease demand.

The new account is in addition to Tax-Free Savings Accounts which allow investments to grow tax-free, but don't generate a tax deduction when you make a contribution.

Homebuyers can also withdraw up to \$35,000 tax-free from their RRSP accounts to help buy a home, but that money must be repaid.

When initially introduced, the government stated that withdrawals would not be allowed from both an FHSA and a HBP to pay for the same qualifying home, however, these rules were since updated and - GOOD NEWS -

Canadians will be allowed to make both an FHSA withdrawal (up to \$40,000) and an HBP withdrawal (up to \$35,000), totaling a maximum withdrawal of \$75,000 between the two programs to pay for the same qualifying home.

Individuals will also be allowed to transfer funds from an RRSP to an FHSA on a tax-free basis, subject to the lifetime and annual contribution limits.

If a saver does not use the money in their FHSA for a first home purchase within 15 years of first opening the account, the account will have to be closed. Any unused savings may be transferred into an RRSP or RRIF or withdrawn on a taxable basis.

The new savings accounts are similar to a homebuyer-savings plan Pierre Trudeau introduced in 1975 that research suggests aided the move from renting to home ownership, but which was largely driven by higher-income households before the Mulroney government cancelled the program in 1985.

In addition, the budget includes a new Multigenerational Home Renovation Tax Credit worth up to \$7,500 that will help pay for renovations to build a secondary suite for a senior or an adult with a disability.

This article was from [The Canadian Press](#) and was legally licensed through the Industry Dive [Content Marketplace](#). Please direct all licensing questions to legal@industrydive.com.

Bridging Today's Reality with Tomorrow's Wealth

Your Gilchrist Financial Team

Leslie Gilchrist, MBA, CFP®, Financial Advisor

Darcy Nicholson, Mutual Funds Sales Associate

Alison Seidl, Administrative Assistant, Business Coordinator

Dychelle Williams, Administrative Assistant

**Thank you for entrusting us with your Friends and Family
through your generous referrals!**

Contact Us:

250.614.1366 toll free: 1.877.614.1366 www.gilchristfinancial.com
1892 Third Ave. Prince George, BC, V2M 1G4

