

Wealth Management Planning



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Unlock Home Ownership Potential: Supercharge Savings with RRSP and FHSA

Embarking on a journey toward the purchase of a first home is sure to be a milestone that is as thrilling as it is significant. In today's market, where housing prices continue to remain at elevated levels, choosing the most effective savings tools can play a pivotal role in shaping the journey. While the Registered Retirement Savings Plan (RRSP) presents considerable benefits, it's essential to explore how pairing it with the new First Home Savings Account (FHSA) can elevate the path to homeownership. We're here to guide those in search of their first home through the compelling advantages of employing both the RRSP and FHSA specially designed for first-time homebuyers. Here's how to master these tools to transform the dream of owning a home into an achievable reality.

Harness the Power of Tax Advantages

When saving for a first home, capitalizing on the tax benefits offered by both the RRSP and FHSA could be a secret weapon. RRSP contributions have always been tax-deductible, which can effectively lower taxable income and potentially grant a tax refund. In tandem, contributions to the FHSA also offer tax deductibility, nurturing sheltered growth and allowing tax-free withdrawals. Maximizing contributions to both accounts can turbocharge tax savings and lay a robust foundation toward homeownership. Be sure to always check with the CRA to stay within personal contribution limits to avoid potentially costly penalties.

Supercharge Savings Potential

By integrating both the RRSP and FHSA into a savings strategy, it can unlock extraordinary saving potential. Each year, the RRSP contribution limit is 18% of the previous year's income (capped at \$30,780 for 2023). Simultaneously, the FHSA extends additional savings opportunities, boasting an annual contribution limit of \$8,000 starting in 2023. Together, these accounts form an unparalleled duo, enabling the amassing of a formidable down payment fund within a reasonable timeframe.

Leverage the First-Time Home Buyers' Plan (FTHBP)

The RRSP's First-Time Home Buyers' Plan (FTHBP) and the FHSA synergize remarkably well when it's time to access savings for a home purchase. Under the FTHBP, withdrawals up to \$35,000 are

accessible from the RRSP, tax-free, to use as a down payment. On the other hand, the FHSA allows contributions up to \$40,000 (\$8,000 annually) exclusively for a first home purchase, and the account can grow beyond that, based on investment decisions. Utilizing both accounts allows the benefits of flexibility and tax advantages of the RRSP while leveraging the focused savings approach of the FHSA.

Enjoy Repayment Flexibility and Achieve Financial Serenity

By merging the benefits of RRSP and FHSA, the gain is not only advantageous withdrawal options but also flexible re-contribution terms to replenish the RRSP. With the FTHBP, the repayment journey commences two years after a home purchase, spread out over a relaxed 15-year period. This extended timeframe should provide financial balance among monetary commitments without imposing undue strain. We believe this re-contribution requirement fosters a disciplined approach to a retirement savings commitment, ensuring a balanced approach to both homeownership and retirement savings.

Embrace the Future and Start the Savings Journey Today

The key to unlocking financial success lies in seizing the opportunity now and setting a regular savings goal early on. By doing so, it opens the doors to the remarkable power of compounding, allowing hard-earned money to flourish and multiply over time. While the eagerly anticipated FHSA is slated to make its debut later in 2023, financial institutions are diligently preparing to ensure a seamless rollout. Although the FHSA's arrival is on the horizon, it is crucial to start mapping out a strategy and preparing for its imminent availability. By proactively planning and laying the groundwork now, individuals can be positioned to make the most of this new opportunity.

For a first-time homebuyer, it's paramount to explore the full suite of savings options available. By combining the power of both the RRSP and FHSA, a dynamic strategy can be developed that maximizes tax advantages, amplifies the savings potential, and ensures flexibility throughout the journey. Thornmark is here to help navigate an ideal savings strategy for unique needs and goals while avoiding compromises. Embark on the journey to homeownership with confidence and a strategy tailor-made for success.

We look forward to helping you achieve more with your planning and investments. Please reach out to Thornmark at:

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