Important Topic: First Home Savings Accounts (FHSA)

Please note: I envision everyone over 18 years old who hopes to buy a home in Canada, opening a FHSA account. The contributions are deductible like RRSP contributions, the funds grow tax free and one can withdrawal the entire amount tax free to buy a home.

And if one does not buy a home, one can transfer the funds into one's RRSP.

TD is happy to announce that the TD Multi-Holding First Home Savings Account (FHSA) is now available at bank branches. Customers can now open the account and qualify for a special launch offer (a bonus of $100 to those who open the account before October 31 and deposit at least $3,000) to start the journey towards home ownership.

Please note that TD Wealth will not be offering these accounts at this time as we deal with system limitations but hope to be able to open, and transfer over, these accounts in the coming years.

Highlights

The FHSA was introduced by the Federal government earlier this year as a way for first-time homebuyers to save towards the purchase of their first home.

- The account has an $8,000 per year contribution limit with a lifetime maximum contribution of $40,000.
- Contributions to the FHSA are deductible against income, like an RRSP.
- Any income generated in this account will not be taxed, nor will the withdrawal, as long as the funds are taken out as a Qualifying Withdrawal.
- Clients have the ability to provide funds to family members, such as children and grandchildren, to open their own FHSA. The owner of the account receives the tax deduction.
- If one does not end up buying a home, the FHSA balance can be moved into one's RRSP without reducing available contribution room. In other words, one now has a larger RRSP.

Details

The holder must be a Canadian resident, that is the age of majority in their province and must be a first time homebuyer.

A 'first-time home buyer' is defined as someone who did not, in the current year or the preceding four, live in a home as their principal residence that they, or their spouse, owned.

These accounts are not joint but rather each individual/spouse can open their own.

If one under contributes, one can carryforward the under contributed amount to a future year, however the maximum that one can contribute in any one year is $16,000.

Withdrawals that do not Qualify are taxed as income.

Qualifying withdrawals require:

- One must qualify as a first time home buyer (above)

- Must have a written agreement to buy or build home
- The withdrawal must take place no more than 30 days before the purchase
- Must occupy or intend to occupy the home as your principal residence within one year

The FHSA must be closed within 15 years of opening, or the account holder turns 71, or within one year of a qualifying withdrawal, whichever comes first.

FHSA and the Home Buyer's Plan (HBP)

One is permitted to combine the funds from a FHSA and the HBP.

The HBP permits each buyer to withdrawal up to $35,000 tax-free from an RRSP if used to buy a first home. However the HBP requires repayment of the amount back to the RRSP over a 15 year period. Failure to pay back the amount results in taxation on the unpaid amount.

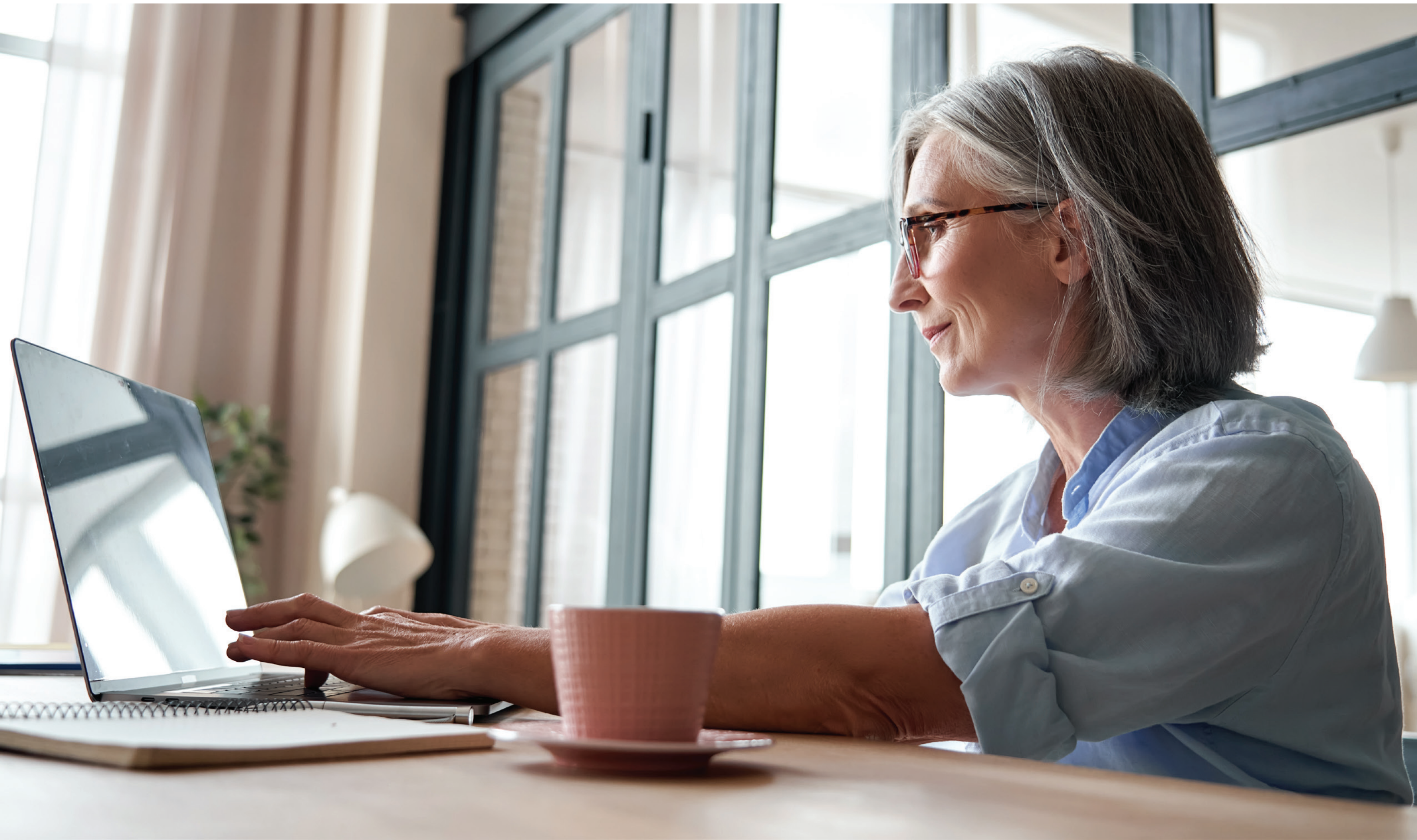
In contrast the entire FHSA is withdrawn completely tax free and never paid back.

Why this important to you

If you (and your spouse) have not owned a home in four years and are planning on buying one, and you are under 71 years of age, the FHSA provides attractive tax relief towards that goal.

Further, any child or grandchild over the age of majority who plans on buying a home in the next 15 years should be informed about these new accounts and should seriously consider opening one.

If you, or a family member, would like to open a FHSA account we would be happy to arrange a meeting with a colleague at a bank branch.



Market Update – August 2023

Markets in August turned down as relatively good news was taken as bad.

With the US economy again proving to be stronger than forecast, the markets became concerned that this will result in interest rates being held higher for longer. The market was hoping for a ‘soft landing’ whereby rates hurt the economy just enough to slow it down, permitting interest rate cuts, but not enough to trigger a recession. This month’s short term concern became the opposite, fearful that the higher rates are not slowing down the economy sufficiently and instead robust economic activity will keep inflation high thereby requiring high interest rates for longer and perhaps even an increase in interest rates.

The last week of August saw some economic data that pointed to a slowing economy and an increase (however slight) in unemployment. This battle will continue to rage with the result of a continuously volatile market.

But all of the above is, in our opinion, short-term. And whatever does happen, and we do not know the future, we will stick with our long term plan, confident that we will get to where we intend to be, just not knowing which path we will take to get there.

And so, the focus remains, and must remain, on the long term. One’s investment focus should be on strong entities that have opportunity and potential, and can weather the inevitable storms and still prove profitable. Invest for the long term and ignore short term fluctuations.

Mostly one should focus on one’s own life, plan, and goals. At the end of the day that is all that truly matters.

Looking forward, we are neutral on the short term, but remain positive in the medium and long term. We continue to invest new funds (finding some good opportunities) and monitor our positions closely.

Have a great month and let us know if there is anything we can do for you,

- Meir & Adam

Index	Month	Year to Date
Bonds FTSE Canada Universe Bond Index - CAD	– 0.40%	0.70%
Canadian Equity - S&P/TSX 60 Index - CAD	– 1.30%	6.40%
US Equity – S&P 500 - USD	– 1.50%	17.90%
International – MSCI EAFE Index - USD	– 3.60%	11.40%
Emerging Markets - MSCI Emerging Markets Index - CAD	– 3.00%	5.50%
Real Estate - Dow Jones® Global Real Estate Index - USD	– 2.90%	2.80%
S&P/TSX Preferred Share Index - CAD	– 4.50%	– 2.20%

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