Wealth Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC FAMILY OFFICE SERVICES

Aaron Fennell, MBA, CFA
Portfolio Manager & Investment Advisor
Tel: 416-313-6397
aaron.fennell@rbc.com

RBC Dominion Securities
181 Bay Street, Suite 2350
Toronto, ON M5J 2T3
www.aaronwfennell.com

Saving for the purchase of your home

Comparing the FHSA, TFSA and RRSP

As the cost of owning a home continues to rise, many are prioritizing saving funds to purchase a home. With the availability of the tax-free first home savings account (FHSA) and tax-free savings account (TFSA), as well as the ability to participate in the home buyers' plan (HBP), which allows you to withdraw from your registered retirement savings plan (RRSP) to buy or build a home, you might be wondering which option is best to help you save funds for the purchase of your home. This article summarizes the key features of each savings vehicle and provides a discussion on which option, or combinations of options, may be most suitable for you, based on your circumstances.

Any reference to a spouse in this article also includes a common-law partner.

	FHSA	TFSA	RRSP (HBP)
Purpose	First-time home purchase savings	General savings	While the RRSP is intended for retirement savings, the HBP program allows you to borrow from your RRSP to buy or build a qualifying home.
Eligibility to open the account	You must be a Canadian resident and have a valid social insurance number (SIN) to open a FHSA. You must have reached the age of majority in your province or territory of residence (and not yet turning age 72 or older) in the year. You must also be a first-time home buyer, which generally means you and your spouse must not have owned a home that you lived in as your principal residence at any time during the part of the calendar year before you opened the account or at any time in the preceding four calendar years.	You must have reached the age of majority in your province or territory of residence and have a valid SIN to open a TFSA.	You must have a valid SIN to open an RRSP.
Contribution limit and carry-forward ability	You start accumulating contribution room after you open a FHSA for the first time. You can contribute up to $8,000 a year, up to a maximum in a lifetime of $40,000. Unused room can be carried over to the next year, up to a maximum of $8,000.	You automatically accumulate contribution room each year (starting in 2009) if you were a resident of Canada at any time during the year and you were at least 18 years of age. The total contribution limit from 2009 to 2026 is $109,000. The annual contribution limit for 2026 is $7,000. If you contribute less than your annual contribution limit, you can carry forward any unused contribution room indefinitely.	Generally, your maximum annual RRSP contribution limit is equal to the lesser of: • 18% of your earned income (e.g., salary or wages from employment) for the previous tax year; or • The prescribed annual limit for the year ($33,810 for 2026). Your participation in retirement savings plans, such as a registered pension plan or a deferred profit sharing plan in the previous tax year could reduce this limit. If you do not contribute your maximum available contribution limit, you can carry forward the unused portion indefinitely.
Contribution tax treatment	Contributions are tax-deductible.	Contributions aren't tax-deductible.	Contributions are tax-deductible.
Investment income tax treatment	Income and capital gains (and capital losses) earned aren't included in your annual income for tax purposes.	Income and capital gains (and capital losses) earned aren't included in your annual income for tax purposes.	Income and capital gains (and capital losses) earned aren't included in your annual income for tax purposes.

	FHSA	TFSA	RRSP (HBP)
Certain withdrawal conditions	To make a qualifying withdrawal, you must be a first-time home buyer at the time of withdrawal. The definition of a first-time home buyer does not consider your spouse for the purposes of a qualifying withdrawal. You must also have a written agreement to buy or build a qualifying home before October 1 of the year following the year of withdrawal and intend to occupy the home as your principal residence within one year after buying or building it.	You can generally withdraw any amount, at any time, depending on the type of investments you hold within the TFSA.	To make a withdrawal under the HBP, you must be a first-time home buyer. You must also have a written agreement to buy or build a qualifying home before October 1 of the year following the year of withdrawal and intend to occupy the home as your principal residence within one year after buying or building it.
Withdrawal tax treatment	Qualifying withdrawals are tax-free. Non-qualifying withdrawals are taxable. Tax is withheld at source on non-qualifying withdrawals, based on the amount withdrawn.	Withdrawals are tax-free.	You can withdraw up to $60,000 from your RRSP under the HBP without triggering immediate tax consequences. If you want to withdraw more than $60,000, the excess would be considered a regular taxable withdrawal and subject to withholding tax.
Withdrawal repayment	You aren't required to repay your withdrawal.	You aren't required to repay your withdrawal.	You must generally repay any withdrawn amounts to your RRSP under the HBP within 15 years. If you made your first withdrawal between January 1, 2022, and December 31, 2025, your repayment period begins in the fifth calendar year following the year you made your HBP withdrawal, otherwise, it begins the second calendar year following the year in which you made the withdrawal. HBP repayments aren't tax-deductible, nor do they affect your RRSP deduction limit.
Withdrawal effects on contribution room	Withdrawals (qualifying or non-qualifying) don't re-instate your contribution room.	Withdrawals re-instate your contribution room. The amount withdrawn is added back to your contribution room as of January 1 of the year following the withdrawal.	Withdrawals don't re-instate your contribution room.

	FHSA	TFSA	RRSP (HBP)
Account closing timeline	You will need to close the account by December 31 of the year in which the earliest of the following events occur: • the 15th anniversary of opening your first FHSA • you turn 71 years of age • the year following your first qualifying withdrawal from your FHSA	Your TFSA can remain open during your lifetime.	Your RRSP must mature by the end of the year you turn age 71, after which you have the following three options: 1. You can directly transfer your RRSP assets to a registered retirement income fund (RRIF). 2. You can use the funds in your RRSP to purchase an eligible annuity. 3. You can withdraw your RRSP funds (less withholding tax) in cash or in-kind. You can't participate in the HBP using funds from a RRIF.
Transfers to other registered accounts	You can transfer funds from a FHSA to another FHSA, an RRSP or a RRIF on a tax-free basis. If you transfer funds from a FHSA to an RRSP or a RRIF, the transfer won't reduce, or be limited by, your available RRSP contribution room, nor would the transfer reinstate your FHSA annual or lifetime contribution limit. The transfer wouldn't be deductible (since your original FHSA contribution was previously deductible). Once transferred, the funds will be subject to the rules applicable to RRSPs and RRIFs, including that the funds will be taxable when you withdraw them from the account.	Subject to your FHSA contribution room, you can withdraw funds from your TFSA and contribute them to your FHSA. You will receive a tax deduction for the contribution. Once contributed to your FHSA, the funds will be subject to the rules applicable to FHSAs, including that the funds will be taxable if you make a non-qualifying withdrawal. Subject to your RRSP contribution limit, you can move funds from your TFSA to your RRSP. This would involve a withdrawal from your TFSA (which would be tax-free) and a contribution to your RRSP (which would be tax-deductible). Once you've made the RRSP contribution, the funds will be subject to the rules applicable to RRSPs and RRIFs, including that the funds will be taxable when you withdraw them from the account.	You can transfer funds from your RRSP to your FHSA on a tax-free basis, subject to the FHSA annual and lifetime contribution limits. This transfer wouldn't be deductible (since your original RRSP contribution was previously deductible) and would also not reinstate your RRSP contribution room. You can't directly transfer an investment from your RRSP to your TFSA. You can, however, make a taxable withdrawal from your RRSP (withholding tax may apply on the withdrawal), and make a contribution to your TFSA, assuming you have sufficient TFSA room.

	FHSA	TFSA	RRSP (HBP)
Purpose of withdrawn funds	As long as you meet all of the conditions for a qualifying withdrawal, you can use the funds you withdraw for any purpose. The funds don't have to be used to purchase or build the qualifying home.	Funds withdrawn can be used for any purpose.	As long as you meet all of the conditions to participate in the HBP, you can use the funds you withdraw under the program for any purpose. The funds don't have to be used to purchase or build the qualifying home.
Impact on income-tested benefits	Since contributions lower your taxable income, they may have a positive impact on your eligibility for income-tested benefits (such as the Canada child benefit) or credits (such as the GST credit). Qualifying withdrawals won't impact income-tested benefits or credits.	Contributions and withdrawals do not impact income-tested benefits.	Since contributions lower your taxable income, they may have a positive impact on your eligibility for income-tested benefits (such as the Canada child benefit) or credits (such as the GST credit). Withdrawals will impact income-tested benefits such as Old Age Security (OAS).
Tax deduction for interest on borrowing to invest	No, interest on money borrowed to invest in a FHSA is not deductible for tax purposes.	No, interest on money borrowed to invest in a TFSA is not deductible for tax purposes.	No, interest on money borrowed to invest in RRSP is not deductible for tax purposes.

Evaluating your options

Determining which account would best help you save towards purchasing a home depends on your own specific circumstances — there is no single or absolute answer. Instead, there are many considerations that may make a particular savings vehicle more suitable for you.

The FHSA

If you plan on purchasing your first home in the near future, you may want to open a FHSA and start accumulating room. The FHSA has many advantages, as it combines the attractive features of both the RRSP and the TFSA. The earlier you're able to open the account, the longer you have to take advantage of the 15-year limit for tax-free growth. If you can't contribute the full $8,000 of annual contribution room this year, your contribution room, up to a maximum of $8,000, will carry forward and you can contribute up to your available room in the following year. Further, if you expect to be in a high marginal tax bracket for the next few years, the FHSA is particularly tax-efficient because it allows for a tax deduction on your contributions as well as tax-free growth and qualifying withdrawals.

Since undeducted FHSA contributions can be carried forward indefinitely, if you have relatively low income this year and expect to have higher income in the next few years (perhaps you're just starting out in your career), you can contribute to your FHSA this year and wait to claim the tax deduction in a future year when you have higher income. With this approach, you gain access to tax-free growth immediately and you also get to benefit more from a tax deduction in a later year when you're paying tax at higher marginal income tax rates.

Although the same carryforward rules apply for undeducted RRSP contributions, it may make sense to first start contributing to your FHSA, as opposed to your RRSP. This is because if you don't end up buying a home within 15 years, you have the flexibility of transferring the funds accumulated in your FHSA to your RRSP, where you can later make a withdrawal under the HBP. This transfer won't reduce your available RRSP room; therefore, you can create more RRSP room by first contributing to your FHSA. On the other hand, if you start by contributing to an RRSP and then transfer the funds into your FHSA (which you're allowed to do), you don't get an additional deduction and you will have lost that RRSP room.

The RRSP

If you're in a high marginal tax bracket, you may want to consider contributing to the RRSP, as it may allow for larger tax-deductible contributions (based on your RRSP contribution room) and therefore provide you with access to a larger amount that can be withdrawn (up to $60,000) than from a FHSA in the early years of the FHSA program.

Keep in mind that by participating in the HBP through your RRSP, you're essentially borrowing money (interest-free) from your own RRSP, as you do have to repay the funds to your RRSP within 15 years and pay tax on those funds at your marginal tax rate eventually when you make a regular withdrawal.

The TFSA

If you're not considered a first-time home buyer and therefore aren't eligible to open a FHSA or participate in the HBP program, you can use a TFSA to help you save for a home. If you're considered a first-time home buyer, you can also use the TFSA to supplement a FHSA and/or HBP withdrawal. The TFSA is designed to help you meet a wide range of financial goals, as it offers tax-free growth and enhanced flexibility. You can contribute to a TFSA at any time, as long as you have contribution room. You can also withdraw from a TFSA at any time, for whatever purpose, and the amount of the withdrawal is added back to your contribution room for the following year. There are no income restrictions for contributing to a TFSA, meaning that regardless of your income level or type of income you earn, you can contribute to a TFSA. As such, the TFSA can be an attractive option if you're in a lower income tax bracket and looking to save for the purchase of your home.

The interplay

If you have enough funds to be able to contribute to all three accounts, and assuming you meet the eligibility criteria to open and contribute to all of these accounts, you are able to use all of them in conjunction with each other. You can save in all three accounts and make a FHSA, an HBP, and a TFSA withdrawal to help you with the down-payment for the same qualifying home purchase.

Alternatively, if you don't currently have the cash flow but you have already saved funds in a TFSA and anticipate purchasing a home within the next few years, you may want to consider withdrawing funds from your TFSA and depositing them into your FHSA in order to receive a tax-deduction (either now or in a future year).

Conclusion

If you're thinking of buying a home in the near future, it's important to be aware of the options available to help you save for this major purchase. The more you know about each option, the better-informed choice you'll be able to make in the right savings vehicle for you.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.

RBC Wealth Management

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Wealth Management Financial Services Inc. (RBC WMFS), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and their affiliates, RBC Direct Investing Inc. (RBC DI)* and Royal Mutual Funds Inc. (RMFI). *Member – Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. "RBC advisor" refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies, RBC DI or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. In certain branch locations, one or more of the Companies may carry on business from premises shared with other Royal Bank of Canada affiliates. Notwithstanding this fact, each of the Companies is a separate business and personal information and confidential information relating to client accounts can only be disclosed to other RBC affiliates if required to service your needs, by law or with your consent. Under the RBC Code of Conduct, RBC Privacy Principles and RBC Conflict of Interest Policy confidential information may not be shared between RBC affiliates without a valid reason. ®/™ Trademark(s) of Royal Bank of Canada. Used under licence. © Royal Bank of Canada 2026. All rights reserved.

NAV0300 (01/2026)