

# FIRST HOME SAVERS ACCOUNTS

effective 1<sup>st</sup> October 2008

(FHSA)

## What is it?

- Similar in operation to a superannuation account
- To act as an assisted savings vehicle for purchasing a first home

## Who can offer them?

- Most superannuation fund trustees EXCEPT self managed super funds
- Life insurers, banks, building societies, credit unions

## Who can open one?

- Must be > 17 and < 65 and an Australian resident for tax purposes
- Eligibility will be individual and not affected by eligibility of partner
- Applicant must never have previously purchased or built a first home in Australia (*does not matter if partner is ineligible*)

## How does it work?

- Minimum up front contribution of at least \$1000
- Further contributions can be made any time
- No more contributions once account balance reaches \$75000
- Government will also contribute 17% of the first \$5000 of contributions each year
- Contributions must be made from after tax money
- Earnings within the FHSA are taxed concessionaly at no more than 15%

## How do I get it out?

- Money must be used to make a payment re purchase of a first home
- Can be deposit or payment due on signing of building contract
- If payment for land, must be a condition of the land purchase that a building contract be entered into within 6 months
- Can include a house, unit or apartment
- May only be withdrawn where contributions of at least \$1000 been made in each of last 4 years
- Once withdrawn, must live in the relevant home for at least 6 of first 12 months following settlement or completion of construction.

## Benefits

- **Concessionally taxed earnings**
- **Government 17% contribution**

## Drawbacks

- Account must be held for at least 4 years
- Must be used for 1<sup>st</sup> home
- If individual becomes ineligible, balance must be transferred into superannuation.