SESSION 3 OF 4 · REGISTERED ACCOUNTS

Where you keep your money is a decision worth thousands.

Most young Canadians save in a plain account and hand the government tax they never had to pay. Canada gives you **registered accounts** — TFSA, FHSA, RRSP — that let your money grow with the tax turned off. Knowing which to use, and starting young, is one of the biggest advantages you'll ever have.

The three accounts, in plain English

TFSA

Tax-Free Savings Account. Money grows and comes out **tax-free**. Withdraw anytime for anything. The best all-purpose starting account for most young adults.

FHSA

First Home Savings Account. A tax break going in *and* tax-free coming out — but only for a first home. If a home is a someday goal, this is powerful.

RRSP

Retirement account. Cuts your taxable income now; you pay tax when you withdraw in retirement. Best once you're earning a real salary.

These are **containers**, not investments themselves. Inside each you can hold savings, GICs, index funds, or stocks. The account decides the *tax*; what you put in decides the *growth*.

Which one, when you're young?

A rough order of priority for a typical student or new grad (not advice — a starting framework):

A SENSIBLE STARTING ORDER

1. TFSA first — flexible, tax-free, no downside to using it. **2. FHSA** if you might buy a first home — the tax deal is excellent. **3. RRSP** once your income (and tax bill) is high enough for the deduction to really matter. Your situation may differ — but "TFSA first" is right for most people starting out.

Your real superpower: time

You have something no older investor can buy — **decades**. Recall compounding: money grows on its growth, and the early years matter most. Investing **$200 a month** from age 20 at a 7% average return can grow to roughly **$500,000** by 60. Start the same at 30 and you land near **$245,000** — less than half, for waiting ten years. Same monthly amount. Time did the rest.

(Illustrative, not a promise — real returns bounce around. But the *shape* is the point: early beats large.)

One Canadian detail worth knowing

When you eventually hold *US* dividend-paying stocks, the account matters again: US dividends face a 15% withholding tax in a TFSA (unrecoverable), but that tax is **waived in an RRSP** by treaty. File it away for later — it's the kind of detail that separates informed investors from the rest.

CHECKPOINT

1. Match the goal to the best-fit account: (a) an emergency fund you might need next year; (b) a down payment on a first home in 5 years; (c) long-term retirement money once you're earning well.

2. In one sentence, why does starting to invest at 20 instead of 30 matter so much?

Next up: how to tell what an investment is worth

You know *where* to grow money. The last session is the skill that protects it: telling a good investment from an expensive one — an **intro to value investing**, then practice in the app.