



“make a difference to your costs in the long run”

First-time homebuyer?

Your RRSP may be the down payment you're looking for

Thinking about buying your first home? Wish you had saved up a good down payment? Maybe you have, but didn't know it. First-time homebuyers can tap into their RRSP to help with a home purchase. Designed to help first-time buyers get into home ownership, the federal Home Buyers Program lets you access tax-free monies for use towards the purchase or even construction of your first home.

Why tap into your RRSP? The most common reason is to boost the down payment on a home. The bigger your down payment, after all, the smaller your mortgage. And you may qualify for better interest rates too; your healthy down payment shows the lender that you are a low risk candidate for a mortgage loan. Your RRSP can help provide the funds for a down payment that will make a difference to your costs in the long run.

Here's how it works. If you've been contributing to an RRSP, then you already know that the program is designed to set aside money for retirement, with the money going into the program tax-free (and the plan to pay taxes on the funds when they're withdrawn later). But there are some valid reasons why you may want to access these funds earlier. A home purchase may be one of them. As a first-time homebuyer, you are allowed to withdraw money: still tax-free, provided you adhere to the easy repayment plan. (Just make sure, of course, that your RSP is not a locked in plan). You can withdraw up to \$25,000.00 from your plan. If your spouse qualifies as a first-time homebuyer, then he or she will also be able to withdraw \$25,000.00. Between the two of you, you could possibly have a hefty down payment sum of \$50,000.00. That's enough to make a substantial difference in the affordability of home ownership!

Check online or ask your mortgage professional for more information – there are some conditions that you should know about. For example, you

need to spend the money once it's withdrawn: you must enter a written agreement (offer to purchase) before you can withdraw money. And you are expected to complete the home purchase no later than October 1 of the year following your withdrawal. And don't spread your withdrawals out; all HBP-eligible withdrawals must be made in the same calendar year. Above all, you must meet certain repayment terms. Repayment to your RSP begins the second year following the year of withdrawal. You have up to fifteen years to repay, and each annual repayment must be at least one-fifteenth of the withdrawn amount.

A common question: so who exactly qualifies as a first-time homebuyer? What if one partner has owned a home before, for example? Well, it often happens that only one partner qualifies as a first-time homebuyer, so only one RRSP can be tapped for funds. But if either of you has not owned a home for the past five years, then you meet the description of a first time homebuyer! Keep that definition in mind as you plan the timing of any RRSP withdrawals.

Any kind of home qualifies for the program – detached, semi-detached, mobile, condominium, etc. – as long as it is located within Canada.

If you're thinking of using your RRSP for your first home purchase, consider meshing your RRSP strategy with your down payment savings. Putting away funds in your RRSP not only saves you the current income tax, but the tax saved translates into more dollars towards your down payment.

It's not too soon to begin a conversation with a mortgage specialist about your future plans for home ownership.

A good plan is always a great beginning!



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