

Cashing In

Utilizing the Home Buyers Plan by cashing in RRSPs

Now that RSP season is upon us, I thought it would be a good time to touch on how potential buyers can take advantage of their existing Registered Retirement Savings Plan (RRSP) that has already been socked away. When purchasing a new or used home RRSP funds can be used towards the down payments of a mortgage. This government program is called the Home Buyers Plan. First-time home buyers and repeat buyers alike can qualify for this excellent program again and again.

What is the Home Buyers Plan?

The Home Buyers Plan (HBP) is a program that allows both first time home buyers and qualified buyers to withdraw funds from their Registered Savings Plans to buy or build a home for themselves. The plan may also be utilized if funds are used by or for a related disabled person to acquire a home which is more accessible or better suited to their needs.

How much money can I use towards my down payment?

Each qualified mortgage applicant can use up to \$20,000 towards a down payment on their principal residence.

How do homes qualify for the Home Buyers Plan?

- 1) The home needs to be located in Canada.
- 2) It can be new or an existing home.
- 3) Qualifying homes are single family or semi-detached homes, townhouses and condos, as well as apartments in duplexes, triplexes, four-plexes or apartment buildings.

Why does the government offer this program?

The government sees saving for one's retirement as important, so they give an incentive in the form of a tax break on funds that are set aside in a Registered Retirement Savings Plan (RRSP). The government registers a retirement plan in your name, allowing you to build this plan over time. Any income earned on these funds while they're in this registered plan are tax exempt, meaning that tax is only paid upon cashing in these funds. The Home Buyers Plan furthers this government incentive by helping people purchase a home, utilizing these funds that have been set aside. The way the government sees it, purchasing a home is a great investment for Canadians and, in turn, it stimulates our economy. For the government, it's a win-win situation. Upon qualifying, the Home Buyers Plan allows one to access funds in their RRSP to use as a down payment on a mortgage, providing they agree to pay back these funds into the plan.

What is the time frame to pay back the funds into the RRSP?

Over a period of no more than 15 years, you are allotted to repay your RRSP the amount you withdrew under the Home Buyers Plan. Generally, in each year of your repayment period, you need to repay 1/15 of the total amount you withdrew, until the full amount is repaid to your RRSP. For repayment, the government allows the first two years after your purchase as a grace period. The third year is when you're expected to start repaying funds back into your RRSP.



I am a repeat buyer. How do I know if I qualify for this program again?

For the Home Buyers Plan, a home buyer is not considered a first-time home buyer or qualified if, at any time during the period beginning January 1st of the fourth year before the year of withdrawal and ending 31 days before your withdrawal, the home buyer or their spouse owned a home they occupied as a principal place of residence. For argument's sake, five years need to pass before a person who used this program before can use it again. Please note that First Time Home Buyer for the Home Buyers Plan is totally different than the definition of a First Time Home Buyer for the purposes of the Property Transfer Tax. For the Property Transfer Tax program, each applicant can only be tax exempt once.

For more tax and RRSP information, go to www.grantpowell.ca and follow the links under the Tax Information page. grant@viewmagazine.ca



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