



How to use your RRSP for a down payment on a home. DLC

Do you understand the Canada Customs & Revenue Agency (CCRA) program for using your Registered Retirement Savings Plan (RRSP) to purchase your first home? The program, called the Home Buyer's Plan, allows you to withdraw money from your RRSP to buy or build a qualifying home. And, the best part is that you can do it without incurring any penalties for early withdrawal.

The CCRA Home Buyer's Plan allows each individual who will be on the title of a home to withdraw up to \$20,000 from their RRSP to purchase or build a qualified home. And, under the Plan, a "qualified home" refers to any typical residence you would want to buy or build, such as a single family home or condominium.

So, for example, if you have four people wanting to buy and share a home, each person could withdraw \$20,000 from their RRSP, for a total of \$80,000 for the four of them combined. And the best part is that RRSP withdrawal is not counted as income as long as the CCRA Home Buyer's Plan conditions are met.

One restriction on the plan is that it is only for first time home buyers, or for people who have not owned a home for a specified period of time. Another restriction of the plan is that the money must have already been in your RRSP for at least 90 days prior to your withdrawal and it all must be removed within the same calendar year. In other words, you can make more than one withdrawal but they must all be in the same year and cannot total more than the \$20,000 limit.

If you choose to withdraw money from your RRSP under the CCRA Home Buyer's Plan, you must start to repay the money you withdrew starting on the second year after your removal of the money. You will then be required to pay back the amount equal to 1/15th of the amount of money borrowed each of the following years. You do not pay interest on the money, and you do not generally incur any tax liability either.

One of the best things you can do is to repay the money back into your RRSP as soon as you possibly can afford to do so. This will both allow your money to grow more before you reach retirement age, and it will allow you to take the maximum RRSP deductions later in your life when you will likely be earning more money.

Once you understand how the Home Buyer's Plan works, you can easily see you can help yourself to purchase a home, save money on your tax liability, and at the same time rebuild your retirement funds back to their previous balance.

If you are in the market for your first home, and you have the money in your RRSP to do so, you can really benefit from this wonderful CCRA plan. For more information about the plan, visit their website or consult your mortgage broker.