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## **RRSP's and the Home Buyers Plan**

The start of a new year is always a great opportunity to set financial goals whether they be big or small. One major financial decision/goal is buying your first home. There are various options to be considered when determining how to finance your first home. One option that is definitely worth considering is participating in a Home Buyer's Plan (HBP). Using your RRSP to fund such a purchase can be quite beneficial.

A first time home buyer is defined by Service Canada as a person, including former home owners who have not owned a home they occupied as a principle place of residence at any time during the four year period before the date of withdrawal of funds. Once an individual has met all the conditions listed on the Canadian Revenue Agency (CRA) website they are able to withdraw up to \$25,000 tax free from their RRSP to purchase/build a home.

Participants begin repayment two years after withdrawing the funds and have up to 15 years to repay the withdrawal amount. It is important to note that RRSP contributions made 90 days prior to the withdrawal date can not be used towards the HBP. As well, if you do not repay 1/15 of the borrowed amount each year it will be included as income.

Using the HPB to help with your new home financing can be very advantageous. The RRSP withdrawal is tax-free and does not affect your income for tax purposes. Also, when you first deposited the funds into the RRSP account you got a tax deduction. Assuming that the 90-day period was satisfied, you now have reduced your income taxes and invested in a new home. The HBP also serves to lower your interest cost as withdrawals are interest free. This sounds like a "win-win" to me.

More detailed information is available on the CRA website:  
<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menu-eng.html>

Also, don't forget to look into if your acquired home applies for the First Time Home Buyers Tax Credit (HBTC) as well. For 2009 the credit was \$750.