

## First Time Home Buyer Plan Information

The RRSP home buyers plan is a great way to help you with your down payment. First-time home buyers in Canada can borrow up to \$25,000 of RRSP money tax-free to purchase a home, including shares in a co-op housing corporation. First-time means neither of the spouses or common-law partners have owned a house in the **previous four years**. You are required to pay back this RRSP, if you don't it will become part of your income for tax purposes, but paying your RRSP back is easy! Starting the second year following the withdrawal, one-fifteenth of the borrowed amount must be repaid to the RRSP each year or that year's portion becomes taxable income. *For Example, if you took out \$25,000, 1/15<sup>th</sup> would be \$3750 a Year, or only \$312.50 a Month or \$144.23 Bi-weekly. (this is the minimum payment required)*

### 90 Day Withdrawal Rule

Please note, one home buyers plan withdrawal restriction is that you can't withdraw any money from your RRSP if it was contributed within the last 90 days. So make sure your RRSP has been in your investment account long before the 90 day period before you require it.

### RRSP Loan Strategy

The idea behind this strategy is to make an RRSP loan, contribute the money to your RRSP and then after 90 days, you can withdraw the money for your HBP. This can work very well if you are in a higher tax bracket. This strategy can be done anytime during the year, but if it's done before the RRSP deadline (March 1st), you can get the refund very quickly and use it to pay down the RRSP loan. **Remember if you are planning to use your RRSP to purchase you home in the near future do not invest in a locked in fund.**

### Conditions to qualify for HBP

You (and partner if applicable) must be first time home buyers which means you haven't owned a house that was your principal residence in the last 4 years. For example; if your HBP withdrawal date is Mar 31, 2011, then if you owned such a house at any time from January 1, 2007 to Feb 28, 2011 then you are not eligible for a HBP withdrawal.

If there is more than one person buying the house, they are all considered separately for the home buyers program. If one partner is ineligible, the other partner can still be eligible. If both partners are eligible, the maximum withdrawal amount is still \$25,000 per person regardless of how many people buy the house. **A couple can borrow up to \$50,000 from their respective RRSP investment account.**

### How to make a Home Buyer RRSP Withdrawal

All you have to do is phone your investment firm, or make an appointment with your financial advisor to fill out form T1036 "Home Buyers Plan (HBP) – Request to withdraw funds from an RRSP". You give this form (keep a copy for yourself) to the company that looks after your RRSP. They should do the withdrawal on the day they receive the document or the day after – you should get the money within a few business days of giving them the form. **Make sure you follow up to receive the money quickly. If they are taking too long (more than one week), phone and follow up to find out what the problem is.** Make sure the amount you receive is the amount you requested. If the amount is different than you requested, the financial institution might have made a mistake. If the amount received is more than \$25,000, you will owe taxes, so make sure they process your withdrawal accurately. If the amount received is less than requested then you need to know why. It's very possible that they processed a normal withdrawal and charged with holding tax which would reduce the payment amount. The withdrawal must be corrected and make sure you have a copy of the transaction.

Please see the helpful link below to our Canadian Revenue Agency for more information.



<http://www.cra-arc.gc.ca/hbp/>