

# RRSP HOME BUYERS' PLAN

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The RRSP Home Buyer's Plan (HBP) allows first-time home buyers to withdraw up to \$25,000 from their RRSP to purchase or build a qualifying home. This withdrawal is not taxed immediately and your RRSP issuer will not withhold tax on the amount, but here's the catch. The full amount must be repaid to your RRSP within fifteen years.

In other words, if you withdrew \$20,000, \$1,333 must be repaid to your RRSP each year for fifteen years or the required repayment amount is added to your taxable income so you'll have to pay income tax on it. This is the difficulty of the HBP. Once you have assumed responsibility for carrying a mortgage, you'll feel the pressure of making those mortgage payments, property taxes, repairs and maintenance on your home, etc. You may find that coming up with \$1,333 to replenish your RRSP each and every year may be difficult.

It would therefore seem that you would be better off using a TFSA from the beginning to save for your home deposit.

If you are past this stage and have already invested in RRSPs and do not have savings outside your RRSP, using the HBP to invest in a home at the right time makes sense, since it's the only way you'll get that deposit and consequently your home.

Source: David Trahair, CA