

# Marion Patrick

& THE VANCOUVER-HOMES TEAM

We know Vancouver homes. **Inside out.**



## RRSPs to purchase your home

In 1992, in the depths of the recession, the federal government decided to help people buy their first home by allowing them to borrow up to \$20,000 tax and interest-free from their RRSP's. The idea was to motivate those who were still hesitant to purchase a home and at the same time stimulate the economy.

In the first year more than 220,000 Canadians followed this plan. This temporary measure, just like income tax, proved so popular, that this plan would be a permanent part of the RRSP rules in 1994.

So if you are finding it tough to scrape together the down payment on your first home or need to put more money down to reduce the monthly payments the plan warrants investigation. But make sure that you take into account all the rules and associated costs before you start tapping into your RRSP.

### Facts

The plan allows you to borrow a maximum of \$20,000 from your RRSP to buy your first home (under certain rules it can be a 2nd or 3rd time) You do not have to pay tax on the money you withdraw to use as part or all of your down payment, nor do you have to pay interest on the plan while it's outside your RRSP plan. Therefore you or your spouse or partner can take advantage of this plan to a total of \$40,000.

- To qualify, you and your partner must not have owned a home within four years of the date of withdrawal together or individually.
- You must pay the loan back to your RRSP over 15 years with payments beginning the next year-at least 1/15th per year payback.
- You must be a resident of Canada and intend this home to be your principle residence.
- The money must be in your RRSP for at least 90 days before you can use it for this purpose.
- You must buy or have an agreement to build a home by Oct.1 of the year following your withdrawal.
- If you miss paying back 1/15th, then government will deem that you have withdrawn that amount and it will become taxable income.

These are the basic facts- check with a financial planner for more specifics.

Other sources of down payment may come from:

- Cash savings - You will need to prove 3 months history with bank statements showing funds were saved over time.
- Gifted funds - A family member may gift you the downpayment. You will have to provide a signed gift letter stating funds do not have to be repaid.