

Tax Tip

Week of August 15, 2011

Home Buyer's Plan

This plan allows first time homeowners to withdraw up to \$25,000 from their RRSP to finance the purchase of a home. First time homeowners are defined as individuals who have not owned a home in the past five years. Repayments to the RRSP will commence the year following the year the withdrawal was made. The repayments are spread over 15 years and the minimum repayment is 1/15 of the amount borrowed. Many taxpayers that would like to utilize the Home Buyer's plan do not have \$25,000 in their RRSP, but they may have that amount of RRSP carryforward room. If circumstances allow, consideration may be given to the following strategy:

- borrow from a financial institution the lesser of \$25,000 or the unused RRSP carryforward room
- contribute the borrowed funds to the RRSP. It is imperative this contribution is made more than 90 days before the RRSP amounts are eventually withdrawn to finance the home purchase

Taxpayers in a 40% tax bracket that pursue this strategy will generate an \$10,000 tax reduction if they contribute the full \$25,000 to the RRSP