



The home buyers' plan

The government has a way of helping prospective first-time home buyers come up with enough money for a down payment on a home: the Home Buyers' Plan (HBP). The plan lets you withdraw your RRSPs tax-free to make the down payment, then pay yourself back according to a fairly lenient schedule, with no interest. You can use up to \$20,000, and so can your spouse or common-law partner.

"The Home Buyers' Plan is a great way to get going on home ownership," says Pierre Saint-Laurent, president of financial services consultancy AssetCounsel Inc. in Toronto.

WHO IS ELIGIBLE, AND WHAT ARE THE RULES?*

If you're a first-time buyer with an RRSP, you're eligible – as long as the house you plan to buy is located in

Canada and will be purchased or built before October 1st of the calendar year following the year you withdraw the funds. The type of home you buy doesn't matter – single-family, semi-detached, townhouse, condo or apartment – as long as you plan to live in it as your principal residence no later than a year after buying it.

After you withdraw your RRSP funds, you have until September 30th of the following year to buy or build your home. For example, if you make a withdrawal in June 2006, you'll have until October 1, 2007 to purchase or build your home.

PAYING IT ALL BACK

The Home Buyers' Plan lets you pay back your RRSP over a 15-year period beginning in the second calendar year after you withdraw the funds.

To pay back your withdrawals, file a completed Schedule 7 with your income tax return every year and designate the contributions as an HBP repayment.





These payments are not tax-deductible and are not considered to be RRSP contributions. Figuring out how much you'll have to pay back each year is easy: simply divide the amount you're borrowing by 15. For example, if you borrow \$5,000, you'll pay back \$333 per year for 15 years.

ANNUAL PAYBACK AMOUNTS FOR HOMEBUYER'S PLAN

Amount borrowed	Annual payback
\$ 5,000	\$ 333
\$10,000	\$ 666
\$15,000	\$1,000
\$20,000	\$1,333

You can speed up your payments if you're able, and it's probably a good idea.

"Keep in mind the more and the sooner you replenish your RRSP, the more it can generate returns on a tax-deferred basis," advises Saint-Laurent. "But remember, the important thing is to plan your repayments so you

can afford them while attaining your home ownership dream."

*For more information, refer to the Canada Revenue Agency's guide to the Home Buyers' Program, available online at

<http://www.cra-arc.gc.ca/E/pub/tg/rc4135/README.html>.

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