

RRSP HOME BUYER'S PLAN:

The Home Buyers' Plan (HBP) is a program that allows you to withdraw up to \$25,000 (after January 27, 2009), from your registered retirement savings plan (RRSPs) to buy or build a qualifying home for yourself or for a related person with a disability.

Who is entitled to withdraw?

Only the owner of the RRSP can withdraw funds from an RRSP. You can make withdrawals from more than one RRSP as long as you are the owner of each plan.

Generally, you will not be allowed to withdraw funds from a locked-in RRSP.

Contributing to your RRSP

- March 1, 2011 is the deadline for contributing to an RRSP for the 2010 tax year.
- The amount you can contribute to RRSP's each year is determined by your RRSP deduction limit, often called your "contribution room".
- You can find your current year's contribution room on your Notice of Assessment.
- The maximum deduction limit for 2010 is \$22,000.
- You can carry forward unused contributions to 2011, from previous tax returns.
- If you are self-employed, your limit is 18% of your previous year's income, plus your unused contributions from previous years.

"Contributions to an RRSP are deductible from taxable income, and can reduce income tax payable, or tip the scale to bring you a refund!"

What is an RRSP?

- A Registered Retirement Savings Plan is a type of Canadian account for holding savings and investment assets to promote savings for retirement.
- Income earned inside the plan is not taxed while within the plan or on withdrawal.
- Contributions to an RRSP are deductible from taxable income, and can reduce income tax payable, or tip the scale to bring you a refund!
- Common assets include: GICs, bonds, mutual funds, income trusts, and corporate shares.

THE CONDITIONS OF HBP:

To participate in the HBP, **ONE** of the following conditions must apply:

- You are withdrawing funds to buy or build a home for yourself as a **first-time home buyer**.
- You are withdrawing funds to buy or build a home for a **person with a disability**.

In addition, **ALL** of the following conditions must apply:

- You must enter into a **written agreement** (Offer of purchase) to buy or build a qualifying home. The agreement may be with a builder or contractor, or with a realtor or private seller.
- You intend to occupy the qualifying home as your **principal place of residence**.
- Your **repayable HBP balance** on January 1 of the year of the withdrawal must be zero.
- **Neither you nor your** spouse or common-law partner **owns** the qualifying home **more than 30 days** before the withdrawal.
- You are a **resident of Canada**.
- You **buy or build** the qualifying home **before October 1** of the year after the year of withdrawal.

You are responsible for making sure that all HBP conditions that apply to your situation are met.

If you do not meet the conditions to participate in the HBP in the current year, you may be able to participate at a later date.

REPAYMENTS:

Dates and Deadlines:

Your repayment period starts the second year following the year you made your withdrawals.

Over a period of no more than 15 years, you have to repay to your RRSPs the amounts you withdrew under the HBP. Generally, for each year of your repayment period, you have to repay 1/15 of the total amount you withdrew, until the full amount is repaid to your RRSPs.

Qualifying Homes:

For the purposes of the Home Buyers' Plan, a qualifying home is a housing unit located in Canada. This includes existing homes and those being constructed:

- Single-family homes
- Semi-detached homes
- Townhouses
- Mobile homes
- Condominium units
- Apartments in duplexes, triplexes, fourplexes, or apartment buildings

A share in a co-operative housing corporation that entitles you to possess, and gives you an equity interest in, a housing unit located in Canada also qualifies. However, a share that only provides you with a right to tenancy in the housing unit does not qualify.

How to make your repayment:

To make a repayment under the HBP, you have to make contributions to your RRSPs in the year the repayment is due, **OR** in the first 60 days of the following year. You can contribute the repayments to any of your RRSPs.

Repayments made before you are required to start your repayments will reduce the amount you have to repay for the first year.

Once your contribution is made, you can designate all or part of the contribution as a repayment under the HBP on your income tax return.

Withdrawal Conditions

- You can make more than one withdrawal, as long as the total of your withdrawals is not more than \$25,000. If you buy the qualifying home with your spouse or common-law partner, or with other individuals, each of you can withdraw up to \$25,000 from your own RRSP's.
- Your RRSP contributions must remain in the RRSP for at least 90 days before you can withdraw them under the HBP.
- The fund must be withdrawn only within 30 days of closing, otherwise it is not considered to be HBP eligible.

What happens if I repay more than the amount I have to repay for the year?

If your designated HBP repayment is more than the amount you are required to repay for the year, the HBP balance for later years will be reduced. You will still have to make the required payment for the following year.

What happens if I do not repay the amount I have to repay for the year?

If you do not repay the amount you have to repay for the year, you have to include it as RRSP income on your income tax return. Your HBP balance will be adjusted accordingly.

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