



Kam's Mortgage Monthly

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Home Buyer Plan (HBP 101)

Achieving homeownership can be a very rewarding experience for many Canadians. Not only is a home a roof over your head, but it is where memories are made. It can also be a very sound investment and a hedge against inflation.

If you live in the Vancouver or Victoria area you will agree that real estate prices are high. A 5% down payment for a \$500,000 home is \$25,000! For most folks coming up with the money for the down payment can be a huge obstacle in achieving their dreams of homeownership. These down payments can take many forms, savings over time for some, an early inheritance or a monetary gift from family for some lucky others and then there are some who take it out of their RRSP's. This option is called the Home Buyers' Plan (HBP). The HBP is an excellent option and makes coming up with the down payment much easier to achieve. It's an option that's under utilized because it's one that far few folks actually understand. That's why this month's newsletter is dedicated to explaining the HBP

In a nutshell, the Home Buyer Plan is a Canada Revenue Agency program that allows you to withdraw up to \$25,000 from your Registered Retirement Savings Plan (RRSP) to use as a down payment to buy or build a qualifying home for yourself or for a related person with a disability or to help a related person with a disability buy or build a qualifying home. If you buy the qualifying home with your spouse or common-law partner, or with other individuals, each of you can withdraw up to \$25,000.00.

Here are the conditions you must meet for participating in the program.

Before applying to withdraw funds you must:

- Have entered into a written agreement to either buy or build a qualifying home for yourself or for a related person with a disability or to help a related person with a disability buy or build a qualifying home.
- Intend to live in the qualifying home as your principle place of residence no later than a year after purchasing or building it. The same holds true if the home is for a related person with a disability.

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**Something
to
Ponder**

***A fool flatters
himself, a wise
man flatters the
fool!***

Robert Bulwer-Lytton

Home Buyer Plan (HBP 101) cont'd...

- Be considered a First-Time Buyer. Even if you, your spouse/common-law partner have previously owned a home, you may still be considered a first-time buyer.
- And, in all cases, your HBP balance on January 1 of the year of withdrawal has to be zero.

When a withdrawal is made:

- Neither you nor your spouse/common-law partner or the related person with a disability you help buy or build the qualifying home for can own the qualifying home more than 30 days before the withdrawal is made.
- You must be a Canadian Resident.
- You have to complete Form T1036 for each eligible withdrawal.
- You have to receive all withdrawals in the same calendar year.

Maximum withdrawal is \$25,000.

After all your withdrawals have been made:

You have to buy or build the qualifying home for yourself or the related person with a disability, or to help a related person with a disability buy or build a qualifying home before October 1 of the year after the year of the withdrawal.

Who qualifies as a first-time buyer?

You are not considered a first-time buyer if you or your spouse/common-law partner owned a home that you occupied as your principle residence during the period beginning January 1st of the 4th year before the year of the withdrawal and ending 31 days before your withdrawal.

If you are a person with a disability, or you are buying or building a home for a related person with a disability or helping such a person buy or build a home, you do not have to meet this condition. The condition is that the home must be better suited or more accessible to the needs of the disabled person.

What is a qualifying home?

It is an existing housing unit or one being constructed. It can be a single family, semi-detached, town-house, mobile home, condominium or an apartment in a duplex, triplex, fourplex or apartment building. A share in a cooperative housing corporation that entitles you to possess and give you an interest in a housing unit also qualifies. It must be located in Canada.

Neither you nor your spouse or common-law partner can own the qualifying home more than 30 days before the RRSP withdrawal. This condition is extended to include a related person with a disability and their spouse or common-law partner when the purchase relates to the person with a disability.

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Home Buyer Plan (HBP 101) contd...

Let's discuss the RRSP part...

Your RRSP contributions must be in an RRSP for at least 90 days before you can withdraw them.

You have to repay all RRSP withdrawals. Generally, you have to repay all RRSP withdrawals within a 15 year period. You will have to pay back an amount to your RRSP each year until your HBP balance is zero. If you do not repay the amount due for a year, it will have to be included in your income for that year.

I hope that this gives you an idea of what the Home Buyer Plan is and that maybe you DO have the down payment for a home!

For more information on this topic, please feel free to contact me or visit the Canada Revenue Agency website for more details. <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menu-eng.html>

Japanese Earthquake Relief

If you would like to make a donation to help the Japanese people who have been recently devastated by the massive earthquake and tsunami but aren't quite sure of where to begin, the Red Cross is an excellent choice. There are several ways of doing this:

- Donating online at www.redcross.ca
- Calling 1-800-418-1111
- By texting the word ASIA to 30333 to make a one-time donation of \$5*
- Donating at a participating bank branch
- By contacting your local Red Cross office. Cheques should be made payable to the Canadian Red Cross, earmarked "Japan Earthquake/Asia-Pacific Tsunami" and mailed to the Canadian Red Cross National Office, 170 Metcalfe Street, Suite 300, Ottawa, Ontario, K2P 2P2.

New Referral Program

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail, kam.brar@vericoselect.com or call me at 250-686-4246. *If it all works and the folks you have referred take a mortgage then I will send you a cheque for \$250.00.* Never dealt with me, not sure what kind of service you're going to get? [click here](#) to see what some of my clients have to say!

If you have any questions or comments please contact Kam at kam.brar@vericoselect.com or visit www.kamthemortgageman.com

