

First-time homebuyer: Should you use the HBP to buy your first home?

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With the RRSP deadline for 2014 just passing, if you're looking to buy your first home this year, you may wonder whether it's a good idea to tap into your RRSP's [Home Buyers' Plan](#) (HBP).

The HBP was introduced in 1992 and it's been used 2,555,484 times, according to a [2013 article published in the *Globe and Mail*](#). When you contribute to your RRSP, the hope is that you won't touch those savings until you retire. But as we all know, life happens. When it comes to buying a house, a car or paying for a wedding, these are all expenses that can cost a lumpsum of money. If you've been diligently saving in your RRSP and you're looking to buy your first home, avoid paying mortgage default insurance by tapping into your HBP to come up with a 20 per cent downpayment.

There are some rules that need to be followed when you're withdrawing these funds. To be eligible for the HBP withdrawal, you need to be a first-time homebuyer. That being said, if you're buying a home with your partner and you've previously bought a property, there are cases where your spouse may still be considered a first-time homebuyer. Also, the home you purchase should be where you plan to live within a year of buying the property or within a year of it being built.

With the HBP, you can only withdraw up to \$25,000 a year and it's expected that you'll pay back the entire withdrawal amount within 15 years. Your repayments start about a year after you made a withdrawal and it's expected that you'll pay back 1/15 of the amount each year. If you don't, the money that's been withdrawn will be considered income by the CRA, which makes it taxable. Statistics from the CRA show that about 35 per cent of withdrawals from the HBP are not paid each year, according to the *Globe*.

For new homeowners, replenishing your RRSP may be hard to do since you'll be balancing your mortgage and extra housing costs, along with other expenses. But you can protect yourself by not withdrawing the entire amount. The average amount withdrawn from RRSPs using the HBP was \$9,426, according to the *Globe*.

Since the Tax Free Saving Account (TFSA) was created in 2008, there's been a lot of debate amongst financial experts as to whether it's better to save for a home within your TFSA or RRSP. One key advantage the TFSA offers is that there are less loopholes when it comes to withdrawing money, which is great if you're withdrawing funds to buy a home. You can withdraw as much of your TFSA money as you'd like and while you don't receive income tax reductions, at least you can replenish your TFSA funds at your own pace. As of 2015, TFSA account holders can contribute a maximum amount of \$36,500.

There are other additional [savings for first-time homebuyers](#) that you should try to take advantage of when buying a home.

If you're buying a newly built property as your first home, you may also be [eligible for an HST housing rebate](#). [Rebate4U](#) can help homeowners determine whether or not you're eligible. We strive towards providing our clients with the most professional and quality service in obtaining rebates for their new and renovated homes. We are proud to offer our clients the most personal and attentive service, and we make sure that all of our clients are 100% satisfied.