

If You're Happy and You Know It



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Helping First-Time Home Buyers



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As temperatures rise in Niagara, For Sale signs are popping up faster than daffodils in muddy gardens. You may see more traffic as potential buyers comb the streets looking for new listings. Your mailbox may be filled with flyers from realtors excited to tell you that they have “buyers looking for homes in your neighbourhood”.

Spring is traditionally a time of increased real estate activity, and this year is no different – there are plenty of people looking for homes in Niagara. Unfortunately for those buyers, they are finding more daffodils than For Sale signs. According to reports, demand for homes is great and thus [there are fewer homes for sale this year](#) as buyers snap up properties as soon as they hit the market. This is creating a hot sellers market right now in Niagara: an ideal situation for those looking to sell their home for profit in order to upsize or downsize; a less-than-ideal situation for first-time home buyers who face stiff competition, and thus higher prices, for homes.

To prepare for the current market, Niagara realtor [Nick Atalick](#) advises first-time home buyers to come prepared: prepare for the extra expenses associated with owning your first home; and prepare financing in advance to deal with multiple offer situations. Thankfully, that financing comes with historically low interest rates and flexible down payment requirements that can help first time

buyers.

Its Not Just the Gardens That Are Filled With Ants

The current real estate market is making many first time home buyers rather antsy – and Amal and Amir were no exception. This lovely couple came to visit me a few weeks ago to discuss their options for buying their first home. They had been renting for several years, but Amal recently discovered she was pregnant and the couple decided it was finally time to upsize their living quarters to fit their upsizing family. Amal dreamed of big, beautiful bedrooms with windows facing west to capture the sunlight. Amir spoke excitedly about having a wide, open yard to play outside with his child. Their picture of domestic bliss was sunnier than daffodils fresh with morning dew. I could almost picture Amir singing “If You’re Happy and You Know It” while Amal clapped along and their baby giggled.

The dew on the daffodils started to dry and some of the shine wore off as we discussed the current housing market. Amal admitted she was worried about finding a home they could afford. Amir expressed his concern for finding a home in time to prepare for their new baby. How could we make their happy dreams a reality?



Make your dreams come true: [find an advisor](#) near you and let's assess your home buying options.

Obviously the couple knew they would need a mortgage, but they weren't sure how to pay for their

down payment and [secure a mortgage](#) payment they could afford while Amal was on maternity leave (and beyond!). I suggested the [First-Time Home Buyer's Plan](#).

Tilling the Soil and Growing Dreams: [First-Time Home Buyers Plan \(HBP\)](#)

What Is the HBP?

The [First-Time Home Buyers Plan \(HBP\)](#) is a tax-free withdrawal from your RRSP that the Canadian government allows for the purchase of your first home.

Amal had contributed to an RRSP annually since she started working – she had planted the garden and it was time for her to harvest one of the rewards.

Who Is It For/Who Uses the HBP?

You, if you have never owned a home, or have not owned property in the past 4 years – and have saved up money in your RRSP and are looking to purchase your first home.

Amir and Amal fit this description perfectly. The daffodils were sparkling in the sunshine again.

Why It's great!

For every dollar you put into your RRSP, the government returns the benefit by providing a tax deduction for your income. That allows you to save more money! The HBP allows you to take out some of that money, tax-free, to purchase a home!

To purchase a home and secure financing, you need a minimum 5% down payment on your new home (5% of the purchase price). Amir and Amal hadn't yet shopped for a home because they were not sure they could afford that 5% down payment. Now they knew they could withdraw the amount they needed from Amal's RRSP. Clap your hands if you're as happy as Amal and Amir as they set out looking for their first home!

What Are The Rules?

The HBP does come with some rules of course – you can't just pluck the daffodils and their bulbs whenever you want! You don't want to face taxation and penalties. Here's a breakdown of some of the important rules:

- Individual withdrawal maximum - \$25,000 (\$50,000 for couples/joint purchasers)
- At the time of withdrawal, you must also have a written agreement to either buy a home, or

- build one, and be a resident of Canada at the time of withdrawal.
- The amount you withdrawal must be paid back into your RRSP in order to ensure it is truly a “tax-free” withdrawal...but you have 15 years to do so (or you can put it all back in at once). Any money not paid back into your RRSP will be taxed as income, and the pay-back doesn't have to start until the second year (Basically, you have a one-year grace period from the time of your withdrawal to buy your home, get settled in, and strategize your budget to put your savings back into your RRSP).
 - Each year when you file your taxes, a form is completed to state how much you've repaid into your HBP, and how much you need to repay the following year. The government will send you a statement of your Home-Buyers Plan account as you make your repayments – pay attention to ensure you know how much you have left to go and to make sure you stay on track with repayment.
 - Repayment into your RRSP for your HBP does NOT affect your RRSP deduction limit (because you already received a deduction when you originally saved in your RRSP!)
 - As always, there are exceptions and special circumstances to every rule, so we recommend speaking with an advisor or an accountant to ensure your situation is reviewed accurately.

If an RRSP is your only savings resource, as it was for Amal, it is a great program to help get into the home you've been dreaming of -- as long as you can abide by the rules to ensure you don't have to pay taxes on your withdrawal! If you have other savings plans that don't have as many restrictions/rules to pay back, you should speak with your advisor to determine the best option for your down payment.

How to Get It?

Come in and talk to us at PenFinancial, of course! Ok, really, you just have to [talk to an advisor](#) and get started on [saving in your RRSP](#)! If you already have a RRSP, and are ready to buy your first home – let your advisor know so the right paperwork can be completed to ensure the withdrawal is processed correctly and your down payment is available for when you need it...the date you get your keys on your new home!

For Amir and Amal, they wanted to be sure they got their keys, and their down payment, well before welcoming baby! We completed the paperwork and I sent them off house hunting – and I swear I could hear Amir humming “If You're Happy and You Know It” as they walked off in the sunshine.

Are you ready to buy your first home? Find an advisor and figure out your financing options today.