A few tips to maximize your HBP

■ Take the time to determine the maximum allowable contribution to your RRSP. Your allowable RRSP contribution is indicated on your federal notice of assessment and includes contributions not made since 1991.

■ You do not have to deduct the full amount of your RRSP contribution in the same year. If this could be advantageous for you, spread the deduction over more than one year. For example, if you earned $18,000 in 2009, you could contribute up to $25,000 to an RRSP, because you have a higher balance of non-contributions since 1991.

■ If your allowable contributions for the previous years total $23,000 and you have not yet accumulated $25,000 in your RRSP, you can contribute the additional $2,000. This is an advanced contribution to your RRSP that you can deduct over the next years.

■ What if you're allowable RRSP contribution is $25,000 and you do not have this amount? Ask your bank for a loan[1] for a period of 90 days so you can make your contribution. When withdrawing your RRSP funds, the loan will be repaid immediately.

[1] A T-1036 form is required for fund withdrawals.

When you receive your tax refunds...
Here are some suggestions from your RE/MAX broker:

■ Reduce the length of your mortgage by increasing your monthly payment (interest savings).

■ Create a little savings fund for unforeseen expenses.

Questions?

If you have any questions about the Home Buyer's Plan (HBP) and its benefits, a RE/MAX broker will be happy to help you.

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HBP

With HBP, your dreams will come true

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Thousands of dollars in tax refunds!

Dreaming of becoming a homeowner? Make your dream come true by cashing in thousands of dollars in tax refunds. Yes, you read right... For working spouses, tax refunds could easily reach $20,000 and more!

The Home Buyers Plan (HBP) allows every taxpayer who is not a homeowner, or has not owned a home for at least 5 years, to withdraw $25,000 from their registered retirement savings plan (RRSP) to buy a house.

No money in your RRSP?

No problem! You can take advantage of the Home Buyers Plan (HBP) as you earn (or have earned in recent years) an income entitling you to contribute to an RRSP.

The HBP tax rules

■ Every individual can withdraw up to $25,000, tax free, from their RRSP for the "first time" purchase of a dwelling as their principal place of residence, which must be located in Canada.

■ You are considered a "first-time" buyer if neither you nor your spouse (including common-law) owned a house serving as a principal place of residence during one of the five calendar years prior to the withdrawal date. In the case of a couple who has been together less than five years, it is possible that only one qualifies. For example, if one of the two people had owned a home in a previous marriage, he or she would not be eligible.

■ The home may be new or used.

■ The property may be a house, a condo, a mobile home or an apartment in a duplex, triplex or apartment building where you live as your principal residence.

■ To request a qualified withdrawal, you must have a written agreement (accepted offer to purchase) to buy an eligible home or to build one.

■ The sale must be completed (notarized) before October 1 of the year following the withdrawal of the RRSP funds. For example, if the RRSP funds are withdrawn on December 10, 2009, the purchase transaction must be finalized at the notary before October 1, 2010.

■ If you contribute to your RRSP before making a withdrawal, you must leave the funds in place for a minimum of 90 days to obtain your RRSP tax deduction. This means that if you have not contributed to your RRSP in recent years, you can now catch up with contributions not made in prior years and deduct them entirely during the contribution year!

■ You must eventually reimburse your RRSP withdrawals. To do so, you can make equal annual payments spread over 15 years. For example, you can reimburse a $25,000 withdrawal from your RRSP at $1,666 per year over 15 years, without interest. Every fall, Revenue Canada will advise you of the minimum reimbursement to be made. If you do not reimburse your minimum annual amount, it will be simply included in your income. On the other hand, you can also pay off your debt faster if you wish.

■ You can take advantage of the HBP more than once in your life, provided you meet all the conditions and that the amount borrowed from your RRSP for your last HBP is fully repaid by December 31 of the year preceding the new HBP.

John and Nicole's story

John and Nicole never contributed to an RRSP and never owned a home. They both worked for several years and had no employer pension fund. Their taxable income was $40,000 each.

With the help of their RE/MAX broker, they found the house of their dreams and signed an offer to purchase that was accepted by the seller. They would take possession of their house in 120 days.

Since they had never contributed to their RRSP's, they could make up their contributions for the previous years and the current year. John and Nicole determined their maximum RRSP contributions would be $27,500 each. But knowing that the HBP is set at a maximum withdrawal of $25,000 per taxpayer, they decided to limit their RRSP contributions to $25,000 each. They made sure that their contributions would remain in their RRSPs over a period of at least 90 days in order to be eligible for their respective $25,000 withdrawals.

John and Nicole also guaranteed a $25,000 deduction on their tax returns for the current year. To John and Nicole, this represented a tax savings of about $9,500 each for a total of $19,000!