

A Smart Way to Use Your RRSP for a First Home Purchase

If you're a first-time home buyer with some savings and unused RRSP contribution room, you may be able to get more value from your RRSP than you thought — especially if one of you is in a higher tax bracket.

The Home Buyers' Plan (HBP)

The Home Buyers' Plan (HBP) allows first-time buyers to withdraw up to \$60,000 tax-free from their RRSP to buy or build a qualifying home (up from the previous \$25,000 limit). You have 15 years to repay the amount back into your RRSP, with minimum annual payments of 1/15 of the amount withdrawn. You're considered a first-time buyer if you haven't owned a home in the last four years (updated from five).

The Strategy in Action

Let's say it's early in the year and John and Mary are buying a home closing this spring. They have \$20,000 saved for a down payment in a regular investment account and each have \$40,000 of unused RRSP contribution room. John's in a 40% marginal tax bracket, while Mary is in a lower one.

Rather than using their savings directly for the down payment, John contributes the \$20,000 into his RRSP and invests it in a secure, short-term investment (e.g. money market fund or GIC). After 90 days (the minimum holding period to qualify for the HBP), John withdraws the money under the HBP and uses it as the down payment.

Because of the RRSP contribution, John's taxable income drops by \$20,000 — likely generating a tax refund of around \$8,000 (based on his tax bracket and 2025 rates). That refund could be used in a number of ways: start repaying the HBP, cover renovation costs, or boost emergency savings. If only Mary had contribution room, she could do the same, but the goal is to use the contribution room of the person in the higher tax bracket to get the largest possible tax refund.

The Bottom Line

By using this strategy, John and Mary turn their \$20,000 savings into a \$28,000 advantage — simply by routing their money through an RRSP and taking advantage of current tax rules. Want to know if this strategy fits your financial plan? A quick chat with a financial advisor can help you crunch the numbers and decide if it's right for you.