



Government Relations Issues Update

Home Buyers' Plan

TREB Key Message

REALTORS® thank the federal government for raising the RRSP withdrawal limit under the Home Buyers' Plan, and for recognizing the important role it plays in stimulating the economy and making home ownership a reality for thousands of Canadians.

REALTORS® recommend that the federal government permanently index the HBP withdrawal limit to inflation to ensure that it never loses its buying power.

Background

The national Home Buyers' Plan encourages first-time home buyers to save for a down payment. It helps them build equity rather than debt by encouraging savings and maximizing down payments. The Plan has proven highly successful since it was introduced in 1992.

In the 2008 budget, the federal government introduced Tax Free Savings Accounts (TFSA) to facilitate savings for "needs," including a home purchase. While these programs can provide benefits to home ownership, only the Home Buyers' Plan effectively combines saving for retirement and saving for a home.

An estimated 2 million plan users have borrowed more than \$15 billion of their own savings from RRSPs to purchase a home since the Home Buyers' Plan was introduced in 1992. Since then, the Plan has helped in close to one million home purchases.

Home ownership is the cornerstone of retirement for the majority of Canadians. Before the Plan was introduced, many young people had to choose between saving for retirement or saving to purchase a home. The Plan actually results in Canadians saving for retirement earlier because of their interest in purchasing a first home. The requirement to repay the RRSP over 15 years to avoid taxation is a powerful incentive for repayment. The integrity of the RRSP program is protected.

Maintaining the relevance of this program can be done at a small cost. Based on estimates confirmed by the 2010 Federal Budget, indexing would only cost \$4.6 million over the first five years.