

Navi (Invest Cloud) - Home Buyers Plan

Our members may be utilizing a portion of their RRSPs for the down payment for their home. This option is available for first time home buyers. Canadians are allowed to redeem up to \$35,000 of their RRSP if they are first time home buyers. A married/common law couple can maximize this strategy by redeeming \$35,000 from their personal RRSP accounts.

The following is a step-by-step process to create the Home Buyers Plan on Navi Plan.

- 1. Enter the home as a Lifestyle Asset in Net Worth (add lifestyle asset > select option). You can enter the future purchase date here. A future liability can also be created with a future loan date.**
- 2. Input a redemption strategy from the RRSP account under Strategies > Redemptions to model the lump sum withdrawal.**
- 3. Input a total tax deduction for the amount of the lump sum withdrawal under Tax Details. This will ensure that there are no tax implications for the redemption.**
- 4. Insert a periodic buy record (savings strategy) to the RRSP asset. The buy amount should be equal to the annual home buyer repayment amount (home buyer amount / # of years to repay = annual repayment amount).**
- 5. The workaround to make RRSP Contributions not deductible is as follows:**
 - a. Insert an Other Taxable income type in Cash Flow for the amount of the repayments. This will counter the RRSP deduction.**
 - b. Enter a matching lifestyle expense as well. This will offset the additional income.**

1. Enter the home as a lifestyle asset. In this example a home for \$500,000 will be purchased on September 1, 2022 for \$500,000.

Lifestyle Asset Details

Description *	Type	Owner	Purchase Date
New Home	Principal Resid ▼	Joint	Sep 1 2022
Purchase Amount	Current Market Value	Current Value As Of	Adjusted Cost Base
\$500,000	\$0	Oct 1 2022	\$0

2. Input the redemption strategy for the RRSP. John and Mary will both redeem \$35,000 from their RRSP accounts for the down payment.

Redemptions							Chc
Redeem From	Redeem All	Amount (\$ or %)	Frequency	Start Date	End Date		
John's RRSP (Retirement)	<input type="checkbox"/>	\$35,000	Lump Sum	Sep 1 2022			
Mary's RRSP (Retirement)	<input type="checkbox"/>	\$35,000	Lump Sum	Sep 1 2022			

3. Input total tax deduction for the RRSP redemption to make this a non taxable event.

Tax Details

Tax Details



Enter any federal and provincial tax credits and deductions that are not automatically calculated.

Misc. Tax Deductions

Description *	Owner	Type	Amount	Start Date	End Date			
Deduction from Total Inc	John	▼ Deduction from Total Inc ▼	\$35,000	Sep 1 2022	📅 Sep 1 2022	📅	✎	✕
Deduction from Total Inc	Mary	▼ Deduction from Total Inc ▼	\$35,000	Sep 1 2022	📅 Sep 1 2022	📅	✎	✕

4. Set up the repayment of the Home Buyers Plan. For John and Mary Kennedy their HBP repayment will commence in 2024 and will be \$2,333 per year. The calculation is $\$35,000/15 = \$2,333$ per year.

John's RRSP	\$2,333	Annual	▼ Jan 1 2024	📅 Jan 1 2039	📅	✎	✕	1
Mary's RRSP	\$2,333	Annual	▼ Jan 1 2024	📅 Jan 1 2039	📅	✎	✕	1

5. Enter other taxable income as well as an offsetting lifestyle expense in order to offset the normal tax deduction for purchasing RRSPs. There will not be any tax implications by entering the following:

Income Details



Description *	Member	Income Type
John's HBP Repayment	John	Other Taxable
Annual Amount	Frequency	Amount per Period
\$2,333	Annual	\$2,333
Start Date	End Date	Infl +/- Add'l
Jan 1 2024	Jan 1 2039	<input type="checkbox"/> + 0.00%

Income Details



Description *	Member	Income Type
Mary's HBP Repayment	Mary	Other Taxable
Annual Amount	Frequency	Amount per Period
\$2,333	Monthly	\$194
Start Date	End Date	Infl +/- Add'l
Jan 1 2024	Jan 1 2039	<input type="checkbox"/> + 0.00%

The offsetting lifestyle expense is as follows:

Expense Details



Description *	Member	Type			
John's HBP Repayment	John	▼	Lifestyle ▼		
Frequency	Every x Years	Amount	Start Date	End Date	Infl +/- Add'l
Annual ▼	\$2,333	Jan 1 2024	Jan 1 2039	<input type="checkbox"/> + 0.00%

Expense Details



Description *	Member	Type			
Mary's HBP Repayment	Mary	▼	Lifestyle ▼		
Frequency	Every x Years	Amount	Start Date	End Date	Infl +/- Add'l
Monthly ▼	\$2,333	Jan 1 2024	Jan 1 2039	<input type="checkbox"/> + 0.00%

Now you can create a solution for your members Home Buyer's Plan, and remember this will be incorporated into their full retirement goals as well!!!

Good Luck!!!!

Sheldon Craig, CFP®
Regional Manager
sraig@cuwealth.ca
CUSO Wealth Strategies Inc.