



2024 Federal Budget changes for First-time Homebuyers

Federal Budget 2024 proposes to increase the Home Buyers' Plan (HBP) withdrawal limit from \$35,000 to \$60,000. This measure would apply to the 2024 and subsequent calendar years for withdrawals made after Budget Day.

In addition, Canadians who make an HBP withdrawal between January 1, 2022, and December 31, 2025, will see their repayment grace period extended by 3 years. That means first-time homebuyers will now have up to 5 years before they need to start making rrsp repayments.

The enhanced HBP will work in tandem with the Tax-Free First Home Savings Account (FHSA), which allows Canadians to contribute up to \$8,000 per year and up to a lifetime limit of \$40,000 toward their first down payment.

Budget 2024 announces that the government will allow 30-year mortgage amortizations for first-time homebuyers purchasing newly constructed homes. This new insured mortgage product will be available to first-time buyers starting August 1, 2024.

With its tax-deductible contribution and tax-free qualifying withdrawals AND no repayment requirement, the FHSA should still remain your first choice in saving for a first home.

The expansion of the HBP withdrawal limit may put the Registered Retirement Savings Plan (RRSP) ahead of the Tax-Free Savings Account (TFSA) as a financial planning tool for higher income earners saving for a home.

A TFSA can still be a good choice for lower income earners or those who want to avoid the repayment schedule of the HBP.

These contributions are also tax deductible and the HBP repayment will now begin 5 years after the home purchase.