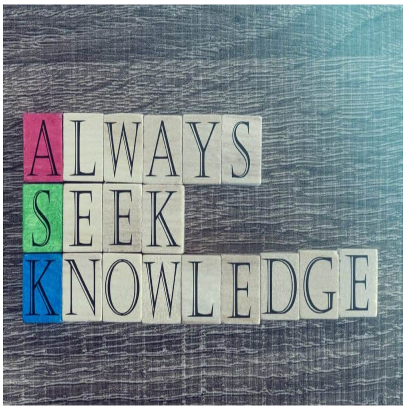

Canada Revenue Agency: How to Withdraw $35,000 From the RRSP Without Paying Taxes

Description

The Registered Retired Savings Plan (RRSP) is a savings plan that should be used to help you secure your retirement. The contributions towards the RRSP are tax deductible, and any income earned in this registered account is exempt from Canada Revenue Agency taxes until withdrawal.

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In short, you will not have to pay taxes to the Canada Revenue Agency until you receive payments or make withdrawals from the RRSP. However, there are a few exceptions to this rule. The CRA allows you to withdraw from your RRSP without paying a single dollar in taxes under the Home Buyers Plan.

What is the Home Buyers Plan for Canadians with an RRSP?

The Canada Revenue Agency states you can make an RRSP withdrawal to buy or build a qualifying home. This might mean a housing unit located in Canada; it can be an existing house or one under construction.

The CRA confirms you can withdraw up to $35,000 from your RRSP under the Home Buyers Plan (HBP). Further, if you are buying a home with your spouse, the withdrawal limit can double to $70,000.

In order to qualify under the HBP, you need to be a first-time homebuyer with a written agreement to buy or build a qualifying home. You must be a resident of Canada and intend to occupy the house within one year after buying or building it.

If you are a previous homeowner, you need to have a four-year gap from living in that house. So, if you bought a house in 2010 and sold it in 2016, you will have to wait until 2020 to use the HBP.

Further, you also need to repay your previous HBP to be eligible for another program. The money withdrawn under the Home Buyers Plan should be paid within a 15-year period. The repayment period starts from the second year after you make an RRSP withdrawal. So, if you withdrew from your RRSP in 2018, your repayments will begin in 2020.

The HBP repayments will be divided each year, and if you fail to make these payments, the outstanding balance will be added to your taxable income.

Earn tax-free income under a TFSA for life

Another way to avoid taxes from Canada Revenue Agency is by holding investments under a Tax-Free Savings Account (TFSA). The TFSA is a registered account where withdrawals are exempt from taxes, making it an ideal account to hold dividend-paying stocks.

While purchasing a home requires a significant amount of capital, you can become a landlord by investing a minimal amount in REITs such as **Killam Properties** (TSX:KMP).

Killam is a residential sector REIT with a market cap of $1.7 billion. The stock is trading at $17.36, which is 26% below its 52-week high. This pullback in share prices has increased Killam's forward yield to a tasty 4%.

Killam continues to expand its portfolio of residential properties via acquisitions. This business model has driven its stock price higher by 70% in the last five years.

The REIT is one of the largest residential landlords in Atlantic Canada and claims to have a 13% share of multi-family rental units in core markets across the country. Killam looks like an ideal investment for investors who are bullish on Canada's housing market but are not willing to purchase a house due to capital constraints.

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