IRONSTONE

FIRST-TIME BUYER GUIDE · 02

Down Payment Savings Worksheet

What you actually need, where it is allowed to come from, and a plan that gets you there on a date.

LONDON, ONTARIO

7 MINUTE READ

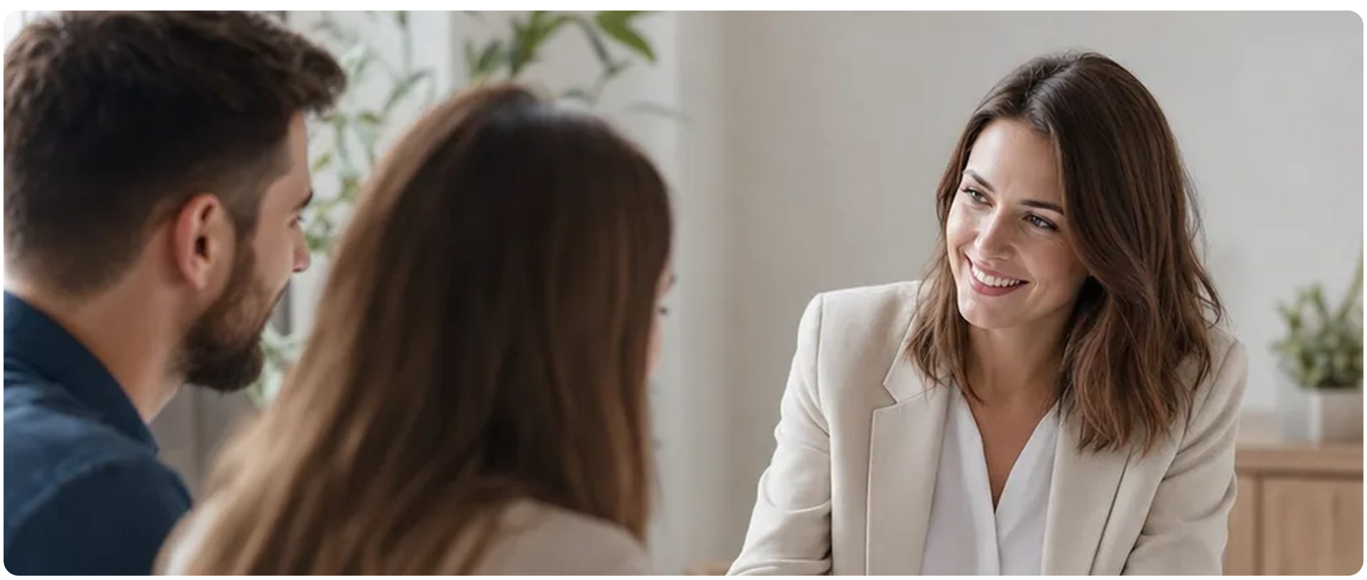
> What you actually need, where it is allowed to come from, and a plan that gets you there on a date.

The legal minimum, by price

This is not a lender preference. It is the rule, and it slides.

PURCHASE PRICE	MINIMUM DOWN PAYMENT	MORTGAGE INSURANCE
$400,000	$20,000 (5%)	Yes
$500,000	$25,000 (5%)	Yes
$600,000	$35,000 (5.8%)	Yes
$700,000	$45,000 (6.4%)	Yes
$800,000	$55,000 (6.9%)	Yes
Any price, 20% down	20% of the price	None

> Under 20% down your mortgage must be insured, and the premium is 2.80% to 4.00% of the loan depending on how far under you are. It gets added to your mortgage, so you pay interest on it for the life of the loan.



A pre-approval is a lender reading your documents, not a conversation.

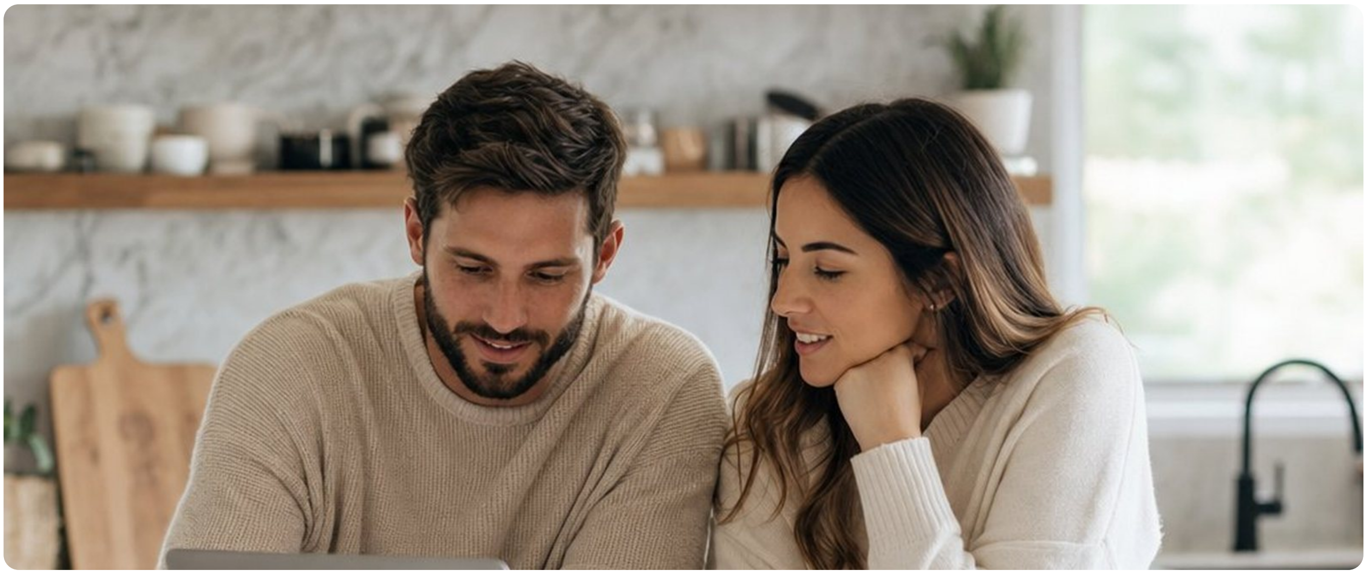
The 8% nobody warns you about

In Ontario there is 8% provincial sales tax on the mortgage insurance premium, and unlike the premium itself it **cannot be added to your mortgage**. It is due in cash at closing. On a $600,000 home with 5% down the premium is roughly $22,600, so the PST is roughly $1,800 that has to be sitting in your account on closing day.

Where the money is allowed to come from

- **FHSA, the First Home Savings Account.** $8,000 a year, $40,000 lifetime. Contributions are deductible like an RRSP and withdrawals for a first home are tax free like a TFSA. It is the best-shaped account in the country for this specific job. Open it even if you cannot fund it yet, because room only starts accumulating once it exists.
- **RRSP Home Buyers' Plan.** Up to $60,000 per person, so $120,000 for a couple. The money has to have been in the RRSP for 90 days before you withdraw it. You repay it over 15 years, and the start date for that repayment has been temporarily extended for recent withdrawals, so confirm your exact first payment year with your accountant.
- **TFSA.** No restrictions, no repayment, no tax on withdrawal. Less efficient than an FHSA for this purpose, but completely flexible.
- **A gift from family.** Entirely allowed. Your lender will want a signed gift letter stating it is a gift and not a loan, and they will want to see it land in your account. Have it deposited at least 90 days out if you can.

> You can combine all four. An FHSA plus the Home Buyers' Plan alone gives one person up to $100,000 of tax-advantaged room.



The plan works when the transfer is automatic and the account is separate.

Your plan, on a date

Fill in three numbers and the fourth one tells you the truth.

A. What you need	Minimum down payment for your target price, plus about 1.5% of the price for closing
B. What you have	Everything already saved across FHSA, TFSA, RRSP and cash
C. Months you are giving it	Be specific. “Someday” is not a plan
D. Monthly set-aside	(A – B) ÷ C

Worked example. Target a $600,000 home. You need $35,000 down plus about $9,000 in closing costs, so $44,000. You have $12,000. You want the keys in 24 months. That is $1,334 a month, automated on payday, into an FHSA first until the $8,000 annual room is used.

Three things that quietly set you back

- [ ] Saving to the exact minimum. Closing costs are a separate bill and they are not optional.
- [ ] Taking on a car payment while you save. Every $400 monthly payment costs you roughly $70,000 of buying power.
- [ ] Leaving the money somewhere you can spend it. Separate account, automatic transfer, no debit card.

WHERE THIS GOES NEXT

You do not have to work the rest of this out alone.

Everything in this guide is on our first-time buyer hub as well, alongside six calculators that run the same numbers with yours plugged in. If you want a person instead of a page, that is what our team is for.

The first-time buyer hub ON OUR SITE

Calculators, the seven steps and every guide in this library.

Move-in ready homes ON OUR SITE

What is finished and available right now, with real prices.

Stax townhomes ON OUR SITE

Our entry point. Three bedrooms from $377,184, now selling.

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