

CAN MY RRSP HOLD A MORTGAGE ON MY HOME?

It is possible to invest RRSP funds in a mortgage on your own home. While this offers a feeling of comfort knowing that you, in effect, owe the funds to yourself (and it may be easier to obtain funds from your RRSP than from a commercial lender), there may not be any significant advantage to be gained by doing this. The mortgage must provide for commercial interest and repayment terms. Consequently, your monthly payments would not change. There will be a benefit if the rate of return on the mortgage exceeds the return you would have otherwise received on your RRSP funds. However, you will also have to take into account that a mortgage of this sort is generally more expensive to arrange.

The mortgage must also be administered by an approved lender under the National Housing Act, as well as insured under that act or by a corporation that is approved as a private insurer and offers such services to the public.

Note also that there is no requirement for the mortgage to be a first mortgage or residential mortgage in order to be a qualified investment. However, if you or someone with whom you do not deal at arm's length is the mortgagor, all of the above noted requirements must be met.

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