

Down Payment Savings Plan

How to Save a Down Payment while making payments you can afford

Saving a down payment to buy a home can seem overwhelming and tricky. Here is a full proof strategy to help you save for a home while ensuring you can afford future payments.

Let's assume you currently pay \$1500 per month in rent and you wish to buy a \$350,000 town home however, you need to save the down payment.

5% down on a \$350,000 home will be \$17,500 and the mortgage payments at 3.5% over 5 years and a 25 year amortization would be around \$1700 per month. In addition to the mortgage payment, you will have approximately \$100 per month for property taxes and \$200 per month in strata fees. A mortgage, property taxes and strata fees will therefore cost about \$2000 per month.

Current rent = \$1500 per month
New Mortgage payment = \$1700 per month
Property taxes = \$100 per month
Strata fee = \$200 per month
Total new payment = \$2000 per month

To save your down payment, pretend your current rent is \$2000 and save \$500 per month in an RRSP. Within 3 years of putting \$500 in savings per month, you will have approximately \$20,000 which will cover your down payment and closing costs. Also, if you put any employment bonuses, gifts or tax refunds into the RRSP, it will grow even faster! You will make the same payment as if you owned a home so you will be able to get comfortable with the payments.

Current rent = \$1500 per month
RRSP contribution = \$500 per month
Total RRSP in 3 years = \$20,000!!!!

For more advice on how to structure your personalized Down Payment Savings Plan, call Jamie Moi at 604-534-6504 today!