

DOWN PAYMENTS

Understanding the basics

Introduction

Once you've decided that homeownership is a goal you'd like to work towards, you'll need to consider a savings plan. But, before you create your savings plan, you'll need to know how much you actually need to save.

Your down payment is the amount of money you will need to provide towards the purchase of a home, with a mortgage lender loaning you the rest. For many, it's a large sum to save for as you work towards homeownership. On top of your down payment savings, you'll need to consider other costs of buying a house, such as land transfer tax, legal fees, and home inspections.

This resource will focus on down payments; how much you need, where the money can come from, savings strategies and tools, and available programs that can help you along the way. For a full breakdown of the estimated costs of buying a home, access the Métis Nation of Ontario [Costs of Buying a Home](#) resource.



How much will I need for a down payment?

There is a minimum amount you must put towards the purchase of your home. This amount is calculated as a percentage of the purchase price. The minimum percentage you need changes for homes over \$500k, then again for homes over \$1M. You can calculate the minimum amount needed using this [calculator](#), or by using the table below.

Purchase Price	Minimum Down Payment Required
\$500,000 and under	5% of the purchase price
\$500,001 to \$999,999	5% of the first \$500k, plus 10% of any amount between \$500k and \$999,999
	For example, on a \$650k purchase price: $(\$500k \times 5\%) + (\$150k \times 10\%) = \$40,000$ down payment
\$1,000,000 and up	20% of the purchase price

Where can my down payment come from?

Down payments can come from a variety of sources. To ensure that you're making the most of opportunities that might be available to you, it's often beneficial to discuss your down payment savings plan with both a financial professional and loved ones. Typically, down payments can come from one or more of these sources:

<ul style="list-style-type: none">• Personal savings or investments• Gifted funds from immediate family• Registered Retirement Savings Plan (RRSP) withdrawal*• Inherited funds• Borrowed from a financial institution**• Lottery winnings	<ul style="list-style-type: none">• Grants or support programs***<ul style="list-style-type: none">• First-Time Home Buyers Incentive (FTHBI)• MNO Home Buyers' Contribution Program• Down payment programs available by region<ul style="list-style-type: none">• Region of Waterloo• Simcoe County
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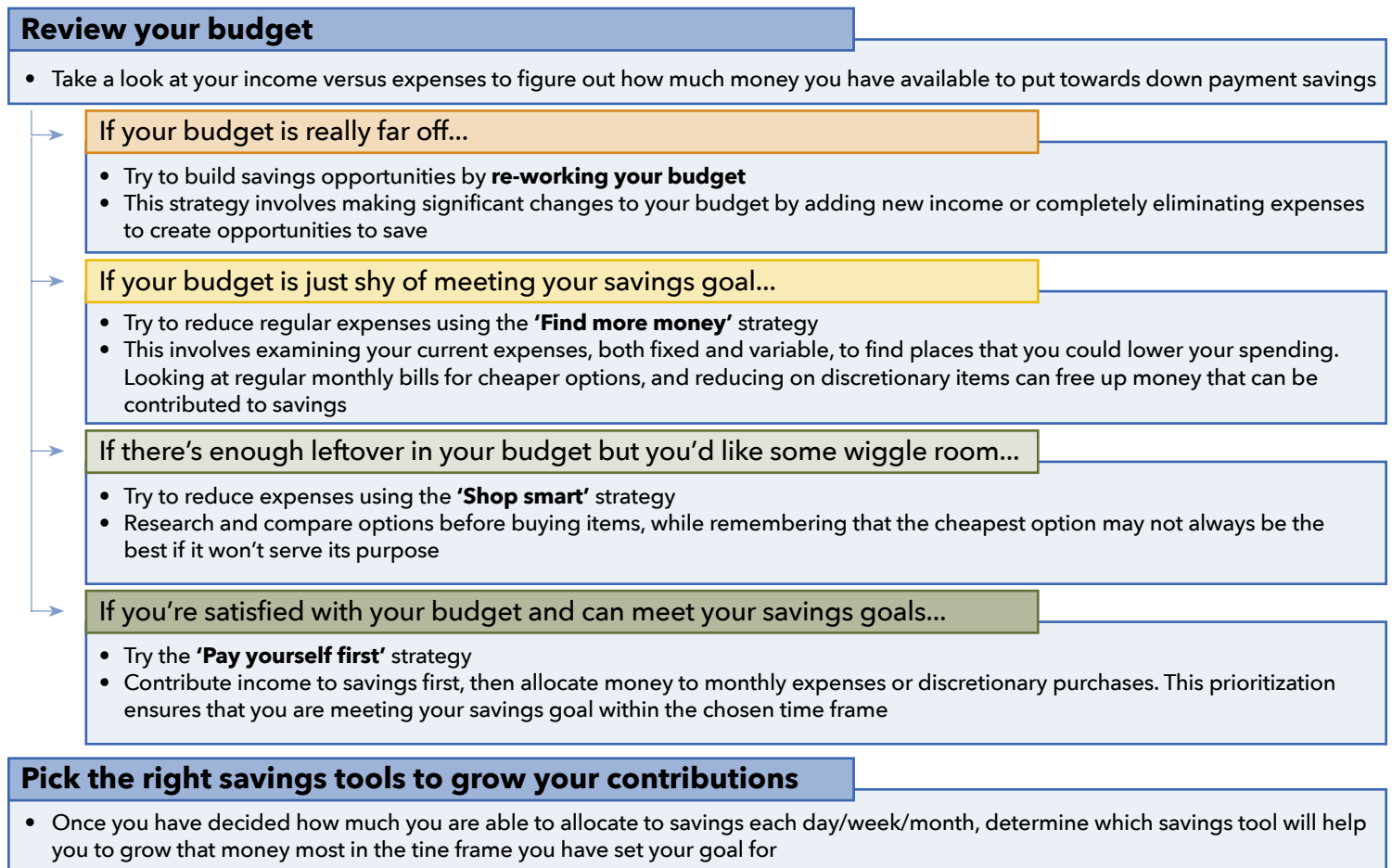
*This is permitted by the government as part of its Home Buyers' Plan (HBP) available to first-time buyers. The HBP allows first-time buyers to borrow up to \$35,000 from their RRSP tax-free as long as the money is repaid within 15 years (the minimum repayment is 15 equal installments made once a year).

**Borrowed down payments, otherwise referred to as 'flex down mortgages' are not offered by all financial institutions and are not available to all borrowers.

***Each grant or support program has their own eligibility criteria and terms. This list is not exhaustive of possible support available.

How do I save my down payment?

Now that you know how much you'll need to save, you need to start saving... but how? There are many different saving strategies that might be helpful for you. Follow this flow chart to determine which strategy might be most helpful for you. You can use one or all of these strategies, on their own or together!



What can help me grow my savings?

Savings tools and investments give you the opportunity to earn interest on your contributions, meaning that your contributions can grow, even if you don't add more money to the account. Each savings tool or investment product comes with different features and limitations. It's important to seek professional advice on which savings tool best suits your situation. This table outlines some of the main benefits and drawbacks of common savings and investment tools:

	Benefits	Drawbacks
Regular or High-Interest Savings Account	<ul style="list-style-type: none"> • Ability to access your money at any time • Insured by deposit insurance • Low start-up requirement • No lock-in period 	<ul style="list-style-type: none"> • Lower rate of return, meaning slower growth on contributions • Possible minimum balance requirements for waived banking fees • Limited transactions without penalty
Tax Free Savings Account (TFSA)	<ul style="list-style-type: none"> • No tax owed on earnings within the account • No penalties for withdrawals • Ability to carry over unused contribution room • No upper age limit on contributions • No lock-in period • No impact on federal income-tested benefits • Contribution room not limited by income 	<ul style="list-style-type: none"> • No immediate tax breaks • Contribution room must be tracked • Limited contribution room (\$6,000/year as of 2022) • No grace amount for over-contributing • No protection from creditors
Registered Retirement Savings Plan (RRSP)	<ul style="list-style-type: none"> • Contributions reduce taxable income • Deductions are deferrable • Savings grow tax-free • Protection from creditors • Ability to share contribution room with spouse • Penalty-free withdrawals for first time home buyers towards purchase of 1st home 	<ul style="list-style-type: none"> • Withdrawals are considered ordinary taxable income, will impact income-tested benefits • Limited contribution room (lesser of 18% of income or \$29,210 as of 2022) • Withdrawal tax is applied for early withdrawals • Mandatory withdrawals at age 72
Non-Registered investment accounts (e.g., stocks, mutual funds, etc.)	<ul style="list-style-type: none"> • Potential for significant investment income • No limits on contributions • No upper age limits 	<ul style="list-style-type: none"> • Risk of losing some or all of initial and ongoing investments • Investment income earned and gains realized in the account are taxable • May be inaccessible for investment term

What programs are available to help me?

First time home buyers have a variety of programs and benefits available to support with down payments and closing costs. The [Programs Available for First Time Home Buyers](#) resource outlines some of the supports that may be available to you. Check with your municipality if there are additional supports that you may have access to.

The Métis Nation of Ontario [Financial Literacy Program](#) can provide 1:1 support to help you identify and work towards your goals with tailored resources and information unique to your situation. Contact the Housing Programs team for more information.

E: housingprograms@metisnation.org

Disclaimer: All materials and information available within the Métis Nation of Ontario Financial Literacy Program are for general informational purposes and not intended to provide specific advice or recommendations for any individual or financial product. Information provided through this program does not constitute financial, accounting, or legal advice. It is recommended that you seek independent professional advice before making financial decisions regarding credit, investments, or savings plans.