



A GUIDE TO FAMILY GIFTING

Owning a property is becoming unapproachable, taking into account property values, mortgage payments and the funds required for a down payment potential buyers are stretching themselves further than ever to become homeowners. To try and turn their dream of owning a home into a reality, buyers are turning to the bank of mom and dad, grandparents, or other family members for help. That help comes in the form of a gift to help cover all or a portion of the down payment and closing costs (Land Transfer Tax, legal expenses etc.).

Families today see this as a viable option to help their children now as part of their inheritance, for some families gifting can be used as a tax-efficient way to transfer wealth as part of a living will. Every case is different, talk with your accountant for advice..

WHEN APPLYING FOR A MORTGAGE, LENDERS WILL TYPICALLY LOOK AT A NUMBER OF FACTORS TO DETERMINE YOUR CREDIT WORTHINESS

- Income and Employment
- Liabilities and Expenses
- Credit History
- The Property Being Purchased
- Down Payment

The down payment is not included in the mortgage, the lender will need to confirm that the buyer has sufficient funds of their own sources to cover the down payment. The funds can include cash in your savings and checking accounts, non-registered investments, TFSA'S and RRSP'S for first time buyers..

ANOTHER ACCEPTABLE FORM OF DOWN PAYMENT IS A GIFT FROM AN IMMEDIATE FAMILY MEMBER

Typically, the lenders will require:

- Confirmation that the funds have been deposited into the borrower's account prior to the closing date
- A signed gift letter by all parties stating the amount of the gift, names and relationship, plus an explicit statement that the money is a genuine gift

Each case is different, please contact your mortgage broker or financial institution to see their requirements.

KEY TAKEAWAYS TO ENSURE A SEAMLESS GIFTING EXPERIENCE

1. Confirm the amount of the gift.
2. Always let the lender know that all or part of your down payment is coming from gifted funds
3. Ensure the giftor is mindful of the timelines
4. Ensure the funds have been deposited before signing the purchase agreement to avoid last minute delays or legal hassles.

PARENTAL TAKEAWAYS

It is not uncommon for a parent(s) that is providing a gift to have concerns about protecting themselves and their children in the event there is a dissolution of the relationship or other circumstances, in these cases I highly recommend the parents discuss the circumstances and options available to them with their family and/or real estate lawyer. One method is to create a loan with a lien against the property. If the relationship breaks down, and the property is sold, after the bank takes its share from the equity the parents can recoup their gift.

Mon and dad also have to be cognizant of not overextending themselves and compromising their retirement, or jeopardizing any investment goals.

Foresight, planning ahead and getting legal advice prevents a lot headaches and even heartache, which in the bigger picture is way more important than money when dealing with the relationship between parents and their children.



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