



## Canada Revenue Agency: 1 Sad Way to Save on Taxes During a Stock Market Crash

### Description

Recession calls are growing louder with global economies getting a double hit from the coronavirus and plunging oil prices. The **Royal Bank of Canada** is predicting that the country's economy will fall into a [recession](#) later this year.

According to the largest bank in Canada, the virus will run its course by the first half of 2020, but the low oil prices will prevent economic recovery. For investors, expect investment losses during a market crash. Although it's unfortunate and sad, there's a way to save on taxes.

### Selling at a loss

When the market is declining, the tendency is to sell stock holdings to cut losses. Emotions rule when you're making a sell decision. Also, it's painful if you're selling at a loss.

Your loss from stocks – or any other capital assets, for that matter – is a capital loss. It can't diminish your income from other sources, but you can use it to reduce capital gains in the year you sell the assets.

### Expert advice

Tax experts have a recommendation for people with this predicament. If there's a loss in the current tax year, use it to reduce any capital gains you will derive and report in the year. If you are to offset the capital gains with your capital loss, use Schedule 3 in your tax return.

On any given sale, only 50% of the capital gain is taxed at your marginal tax rate. Hence, offsetting is a legitimate way to reduce capital gains so you can keep more for yourself.

Furthermore, you can ask the Canada Revenue Agency (CRA) for a loss carryback by using the T1A Loss Carryback form. You can carry the losses in 2019 and apply them in the three previous years

(2018, 2017 or 2016). During trying times, take time to plan how you can save on taxes despite the losses.

## Pick the right investments

The strategy to [prevent a personal financial crisis](#) during market crashes is to pick the right investments. If a blue-chip stock like **Canadian Utilities** ([TSX:CU](#)) is your core holding, you can sit still and ride out the market turmoil. Likewise, if you can shelter your interest income, you become tax-efficient.

This \$8.64 billion diversified utility company has been operating for 93 years. Today, Canadian Utilities and its subsidiaries are into the electricity, liquids, pipelines, and retail energy businesses around the globe. The stock pays a 5.52% dividend. Over the last 20 years, total return from CU is 612.2%.

The ongoing growth in the regulated rate base, as well as the cost-efficiency measures, resulted in a \$608 million adjusted earnings in 2019 (\$1 million higher than 2018). Canadian Utilities also spent \$1.2 billion in capital projects, where 84% are in regulated utilities.

From 2020 to 2022, management expects to grow CU's high-quality earnings base from the \$3.5 billion investment in regulated utilities, and long-term contracted assets.

## Bite the bullet

No matter how big or small your losses are, you have to bite the bullet. Taxes will always be thorns in your side. However, if you stay invested in high-quality stocks, the long-term rewards are forthcoming.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CU (Canadian Utilities Limited)

### PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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