Investors: Here's What You Got in Trudeau's $82 Billion Aid Package!

Description

Prime Minister Justin Trudeau won parliamentary support for his $82 billion COVID-19 aid package Wednesday, after a protracted gridlock in the House of Commons. With some negotiation, Trudeau managed to get opposition approval for the bill, which contains $27 billion in direct transfers and $55 billion in tax deferrals.

The package includes considerable direct financial support for Canadians with COVID-19, including Employment Insurance payments for those who normally wouldn't be eligible.

The package also comes with significant goodies for investors. Even if you're currently healthy and working, you can benefit significantly from the aid about to be deployed.

As you're about to see, the government has delivered a generous payload of tax deferrals that investors can benefit from. They've also handed a lifeline to banks, which are at risk of increased defaults as a result of the crisis.

Tax deferrals

The biggest benefit investors will get from Trudeau's aid package is tax deferrals. Under the plan, tax payers will have until June 1 to file their taxes and until after August 31 to pay them. No interest or penalties will be applied to filings or payments made during that period.

This is a generous break to many Canadians. Not only do you have more time to file taxes, you also have more time to pay dividend or capital gains taxes. Normally if you owe money to the CRA and pay late, you could see penalties eat into your returns. With payments deferred, you now have much more flexibility on when to pay.

A lifeline for bank stocks

For investors who hold bank stocks, Trudeau's aid package includes a few extra bonuses.

The bill agreed to on Wednesday includes a number of measures that help banks, particularly a mortgage purchase program designed to improve liquidity. Long before the current crisis hit, Canadian banks were struggling with some of their loans.

This was seen in rising provisions for credit losses (PCLs), which resulted in lower earnings last year. By buying up insured mortgage pools, the government will improve the banks' liquidity while removing assets from their balance sheets they may not want. That's a win for bank shareholders.

If you look at **The Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), for example, it saw its PCLs increase by $549 million last year to $3 billion. That's a lot of money set aside for underperforming loans. By taking mortgages off balance sheets, the government may help to relieve some of the pressure on banks.

On the other hand, banks like TD *will* likely see overall increased PCLs. Most of the Big Six are heavily exposed to oil and gas loans, and many of those are very likely to go into default in the months ahead. There will have to be increased PCLs to prepare for that.

However, the mortgage re-purchase program will take some of the pressure off banks at a time when they need it. Overall, it's good news for investors in TD and other banks that are getting rocked by the crisis.

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Date
2025/08/20
Date Created
2020/03/26
Author
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