Canadians: Here's What You Get From Trudeau's $107 Billion COVID-19 Aid Package

Description

Last week, Prime Minister Trudeau's $82 billion aid package jumped to $107 billion, as the direct support portion was increased to $52 billion. The newly enhanced package consists of a mix of cash payouts and tax deferrals, along with increased eligibility for EI.

If you're out of work due to COVID-19, you can benefit from the package, which includes sizeable cash transfers. The following are the four main types of benefits you can get.

Cash payouts

The most direct benefit you can get from the COVID-19 aid package is a monthly cash payout. If you're out of work or sick due to COVID-19, you may be eligible for up to $2,000 a month for four months. This program is similar to EI, but temporary, and with lower eligibility requirements.

Primarily, you don't need to have paid into EI to receive this benefit. For the self-employed–many of whom don't pay into EI–that's a big plus.

EI sickness waiver

If you're eligible for EI payments, you may have an easier time getting them now. According to the Canada.ca *"Support for Individuals"* page, you no longer need a medical note to claim EI for sick leave, which could greatly expedite the process of receiving EI by sparing you the need to see a doctor first.

Tax deferrals

For investors, the biggest benefit coming in in the COVID-19 aid package is tax deferrals.

As of March 30, you have until June 15th to file your taxes, and until September to pay amounts owing.

Why is this a big benefit for investors? Put simply, because it spares you interest and penalties. If you own a dividend stock like **Fortis Inc** (TSX:FTS)(NYSE:FTS), you're going to have to report taxes on both cash payouts and capital gains. If you don't pay up in time, you can receive penalties.

It goes without saying that those penalties can eat into your returns. Now, thanks to the extensions on filing and payment, you're less likely to be hit with them.

Reduced minimum RRIF withdrawals

A final benefit you could receive in the COVID-19 aid package is reduced RRIF withdrawals.

By law, you have to withdraw a certain amount of money from your RRIF every year. At age 71, the amount is 5.3%. It goes up every year after that. As part of the COVID-19 aid package, minimum withdrawals were reduced across the board, which means you can leave a lot more money in the account and watch it grow.

Let's continue our example of an investor holding Fortis shares–but now let's imagine they're in a RRIF. To make matters simple, let's say that individual was 71 years old, and had $100,000 worth of FTS in their account. By law, this investor would need to withdraw at least 5.3% of their holdings each year.

This would mean either cashing out 5.3% of the stock or using dividends to cover the withdrawal. Fortis yields 3.8%, so its dividend payments could almost cover a year's worth of mandatory withdrawals. However, the investor would need to sell at least some to get up to 5.3%.

Under the new COVID-19 plan, the amount you need to withdraw is reduced by 25%. So, a 71-year-old investor holding Fortis shares could cover more of their withdrawal just with dividends, without needing to sell of part of their position. The end result is more money left to compound in the RRIF.

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