CRA Update: Extra $400 COVID-19 Tax Break

Description

You may have noticed an extra $400 in your bank account in early April. This one-time special payment through the Goods and Services Tax Credit (GSTC) was made on April 9, and doubled the maximum annual GSTC.

The payment averaged nearly $400 for eligible single individuals and close to $600 for qualifying couples. Even some individuals or families whose adjusted income was too high to qualify for any quarterly GSTC payments were eligible for this one-time payment.

Government responds quickly to crisis

Since the beginning of March, restrictions and measures related to COVID-19 have rapidly escalated. Fortunately, the Government of Canada has acted quickly and decisively to help those financially impacted by the pandemic.

On March 18, 2020, the government announced a series of measures designed to support the finances of individuals, businesses, charities, and non-profit organizations. Since then, new programs have been introduced and previous measures have been adjusted.

Even small investments can pay off for long-term investors

This crisis has shown that many Canadians are woefully unprepared for any disruption in income. Over the past few months, we have learned the value of a well-funded emergency fund, which can bridge the gap if you are ever without income for a sustained period.

If you are fortunate to have a solid emergency fund in place and you have no immediate need for the GSTC payment, then you may want to consider investing the money.

Even a small investment in a great company, with dividends reinvested, can reap rewards for long-term investors.

Think about blue-chip companies like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD). Since the crisis began, shares have fallen over 25%. At this price, TD is an attractive pick for long-term investors, especially considering its current dividend yield of 5.54%. The company has increased dividends per share at an annual rate of 10% since 2000.

TD Bank

TD is one of the largest banks in North America. The bank has three primary business segments — Canadian retail, U.S. retail, and wholesale banking. The Canadian retail business accounts for the majority of sales at 55% followed by U.S. retail at 31%.

With over 30% of its revenue coming from south of the border, TD Bank has by far the largest U.S. presence of all of the Canadian banks. The bank has a major base of operations on America's east coast, especially in New York. As one of the largest retail banks in the U.S., TD has plenty of room to expand operations, particularly on the West Coast, where it's still a small player.

Most analysts expect the pandemic will weigh on the financials of companies for the next few quarters. TD is no exception. Although analysts predict revenue could rise by 0.5% in 2020, the bank's earnings are expected to fall by 5.9%.

The good news for long-term investors is that revenue is expected to rise by 3.9% in 2021 compared to earnings growth of 5.9%.

The bottom line

As the stock market continues to rebound, TD Bank and its peers should be able to return to pre-crash prices. Remember that during the last economic downturn, Canadian banks fared as some of the best in the world. TD's strong balance sheet helped the bank weather the Great Recession of 2009.

Although its stock price may remain volatile in 2020, TD is a great investment option given its low valuation, solid dividend yield, and potential long-term growth.

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