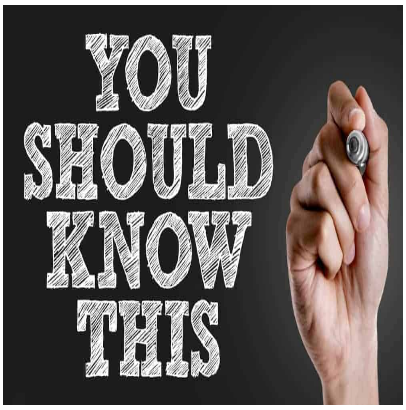

Canada Revenue Agency: The $400 GSTC Credit Is Available Until September

Description

The Government of Canada and the Canada Revenue Agency announced a slew of measures in the last two months to combat the impact of the dreaded COVID-19 on the country's economy. The Canada Revenue Agency has deferred the tax filing and tax payment deadline. In order to combat rising unemployment and lower consumer spending, several measures have been designed to help individuals and businesses alike.

Last month, several Canadians noticed a deposit of $400 in their bank accounts. It was a one-time special payment announced through the GSTC (Goods and Services Tax Credit). The average payment for individuals stood at $400, and this figure for couples was approximately $600.

The GSTC payment might impact close to 12 million low- and modest-income Canadian families. It also doubles the tax credit for the 2019-2020 benefit year. Last week, the Canada Revenue Agency announced that eligible Canadians who are receiving the GSTC will continue to receive these payments till the end of September 2020.

But is it enough to just depend on payouts from the Government of Canada and tax breaks from the Canada Revenue Agency?

Small investments can increase wealth in the long term

The COVID-19 pandemic has wreaked havoc and disrupted the Canadian economy. The unemployment rates are moving higher and might surpass 20% by the end of May. In case you have an emergency fund to take care of your expenses in these uncertain times, you can look to invest these additional payments in top-quality dividend stocks such as **Enbridge** (TSX:ENB)(NYSE:ENB).

Enbridge is Canada's largest energy company with a market cap of $87 billion and an enterprise value of $162 billion. Enbridge stock closed trading at $43.92 last week, which is 23% below its 52-week high. We know that stock prices and dividend yields move in opposition to each other. The recent pullback in Enbridge stock price has meant investors can benefit from its tasty forward yield of 7.4%.

Energy companies are grappling with lower oil prices, which have made production unprofitable. However, Enbridge is not a traditional oil company. It does not produce oil but transports the commodity. This energy infrastructure company has a robust network of pipelines and is a huge player in North America.

Enbridge owns assets that generate a stable stream of cash flows. Over 90% of EBITDA is secured via long-term contracts. This makes the company somewhat immune to commodity prices. However, due to oversupply, several oil producers have reduced production capacity, which has impacted Enbridge's pipeline volumes.

Enbridge is well diversified. It generates 53% of EBITDA from pipelines, 42% from gas infrastructure, and 5% from power & energy.

Enbridge's dividend yield is sustainable

The GDP of most countries are expected to contract in 2020. A global recession indicates consumer spending will remain subdued over the next few quarters. Several companies have cut or entirely suspended dividend payments for 2020 due to falling revenue.

However, Enbridge expects to generate cash flow per share between $4.5 and $4.8 in 2020. Comparatively, it pays dividends of $3.24 per share. In case you buy 200 Enbridge shares, annual dividend payments will be close to $650. The energy giant is also reducing operating costs by $300 million and delayed growth-related capital spending by $1 billion this year.

The equity markets should recover in the second half of 2020 if governments can successfully contain the dreaded virus. This will give investors an opportunity to grow wealth via capital appreciation, as companies with strong fundamentals should outperform broader markets.

CATEGORY

1. Coronavirus
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3. Energy Stocks
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