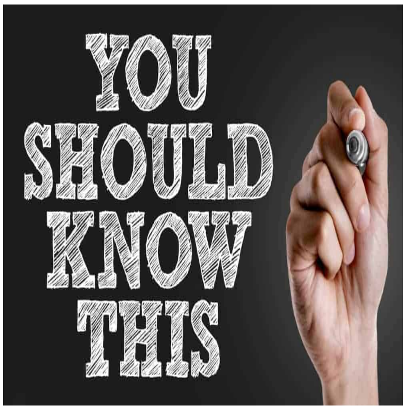

CRA WARNING: 3 Things You Need to Know About the $2,000/Month CERB!

Description

The Canadian Emergency Response Benefit (CERB) payment of $2,000/month, distributed by the Canadian Revenue Agency (CRA), has been a great benefit for Canadians who are temporarily out of work. However, Canadians need to be aware and cautious about three important stipulations to the benefit.

The CRA knows if you double-dip

Firstly, you cannot double-dip. You cannot apply for the CERB or Employment Insurance (EI) through Service Canada, and then also apply on CRA's website. If you were earning EI prior to the crisis, you would not be eligible for CERB payments, unless your EI benefit ran out. You can't receive both at the same time. Remember, this is not free money; this is money paid for by all Canadian taxpayers. The CRA is keeping track.

You have to pay the CERB back if you start working again

Secondly, if you are submitting a benefit claim, you are not allowed to have worked for more than $1,000 of employment income during 14 consecutive days within the four-week benefit period. If you work over this amount, or like above, applied twice for the same benefits, you *will* have to pay back the initial amount. Also, if you get rehired anytime during the four-week benefit period, you also will have to repay the benefit amount for that month.

The CRA wants its share of the CERB

Lastly, the $2,000/month CERB payment is not tax-free income. Next year at tax time, you will receivea T4A tax slip, and you will have to pay income tax to CRA on all CERB payments received. Likely, the amount of tax owed will be not much, considering your employment income in this period has probably been reduced. However, it doesn't hurt to set aside 15-20% of the payment in reserve for the CRA.You can find more helpful information regarding the CERB here.

Invest in a TFSA, build a monthly income stream, and pay no tax

Fortunately, for Canadians there some other ways to avoid the complexity of the CERB. Right now, you can begin building your own emergency monthly income stream for the future. It doesn't rely on CRA, and it is, importantly, not liable for any tax.

I am talking about establishing a Tax-Free Savings Account (TFSA). TFSAs were created as a means for Canadians to build long-term wealth/income that is exempt from CRA taxation. There are a few stipulations to starting an account, but if you want to build consistent investment income, then the TFSA is a perfect place to start.

Make your money work for you

The TFSA is a great place to invest in TSX dividend stocks. I like dividend stocks that have well-covered, growing dividends and are consistently increasing their cash flow stream. Many income stocks are trading cheap with higher-than-average yields, so today is a great time to begin investing. Forget the CRA, and build a portfolio that one day could may supplement your entire income!

One place to look for monthly income is in Canadian REITs. I prefer REITs that are exposed to the industrial and residential sectors. **WPT Industrial REIT** pays a great 6% dividend and has some good growth opportunities through e-commerce properties in the United States. **European Residential REIT** pays a 4% dividend and is rapidly expanding its multi-family portfolio in the Netherlands.

Another safe play to earn and compound TFSA income is through utility stocks. **Fortis** is steadily growing its North American utility operations by 5-7% a year and pays a decent 3.7% yield. **Northland Power** is cheaper but has greater growth potential, as it develops renewable energy projects across the globe. It pays a 4% dividend.

Build your TFSA for your own income protection

These are just a few stocks that are perfect for a TFSA income portfolio. Why not utilize a free opportunity to avoid paying tax to CRA? The important point is to start investing now. Hopefully, one day it will grow to be a sustaining stream of income that you can depend on.

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Date
2025/08/24
Date Created
2020/05/28
Author
robbybrown