



CERB Recipients: Looking to Invest Your \$2,000 CRA Payment? Avoid These Pitfalls

Description

Many eligible Canadians who have been receiving Canada Revenue Agency (CRA) payments, such as the Canada Emergency Relief Benefit (CERB), are in a spot to have a bit of money left over after covering their living expenses.

If you're in a small Canadian city where the cost of living is low, the \$2,000 CERB amount may be more than enough to get you through these unprecedented times.

You may be enticed to put it to work in the stock market with your Tax-Free Savings Account (TFSA), as it continues posting its V-shaped recovery back to its pre-pandemic heights.

Before you put the entirety of your leftover unused CRA payments into the markets, though, there are three pitfalls that you'll want to know of, so you're not left in a tough situation, should the CRA comes knocking, looking to claw back some of the benefit payments that you may have thought was without any strings attached.

This piece is not meant to scare you; instead, it's to inform you, so you'll be less likely to be one of the many super-confused Canadians who may be in an easy spot to making an honest mistake.

CRA's CERB program has been changing. It's okay to be a bit confused

Earlier this week, a draft bill showed that fraudulent CERB claims would be subject to stiff fines and jail time. PM Justin Trudeau was quick to note, however, that honest mistakes would not be harshly punished.

But, if you're one of many vulnerable Canadians who've been laid off as a result of the insidious coronavirus disease 2019 (COVID-19) and are confused as heck about the whole thing, know that you're not alone and that an "honest mistake" isn't the "fraud" that the CRA is "aggressively" pursuing

that'll end up with you having you pay more than what you took from the CRA, with potential time behind bars.

That said, it's a good idea to brush up on the seemingly ever-changing rules, so you're not one of the many vulnerable Canadians who stand to be punished for lack of understanding for an emergency relief program that's starting to become a tad stressful.

The CERB is a taxable CRA payment. Make sure you don't invest amounts that you'll have to pay back to the CRA

First, the CERB ought to be treated as taxable income. So, if you've got some leftover CRA payments, make sure you stash away a portion (that'll be based on your personal tax rate) that's to be left untouched.

If you invest the entirety of any excess, you could be put in a tight spot should the market roll over again, as it did in February and March, and you've got nothing left once the CRA wants its portion of its benefit back.

While the market has been doing nothing but surging lately, it's foolish (that's a lower-case "f") to assume that such momentum can continue and that a vicious pullback is out of the cards in the face of this coronavirus recession.

If, after accounting for potential taxes, you still have ample CERB cash to contribute to your TFSA, then feel free to do so while using the proceeds to invest in wonderful businesses such as [Fortis](#) that can hold their own through the coming recession.

A name like Fortis has a rock-solid dividend that can help finance your TFSA income stream that, unlike the CERB or CRA payments, will last a lifetime and will not be subject to taxation. But make sure you only invest what the CRA will want back or you could find yourself forced to sell your position at a later date, potentially at a massive loss.

Make sure you don't use emergency payments that you become ineligible for — just send it back!

If you're one of many fortunate Canadians to be re-employed as the economy reopens, you'll have to repay CERB payments you're still getting back to the CRA because just like that, you suddenly became ineligible.

Canadians made 190,000 repayments on CERB claims, and many more will be coming as the economy looks to bounce back and recover quickly from the COVID-19 crisis.

The CERB program is ever-evolving, and a tonne of changes will be in the cards, so [make sure you stay up to date](#) and do your best to navigate the pitfalls.

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