Tax Hike Warning: Here’s Who’s About to Get Hit

Description

It’s no secret. The Canada Revenue Agency, the federal government, provincial government, and practically everyone has been warning us for months. While benefits are amazing during a period where practically everyone is struggling, tax hikes are coming. And soon.

While it’s good news that the lockdown on businesses might soon be over, what that means is things have to go back to business as usual. That means paying back the insanely huge debt the government took on during this pandemic. Municipal, provincial, and federal governments will all have to work to pay back the billions spent. This won’t just come from cuts, but from tax hikes pretty much across the board.

But there are a few out there who could be taxed more than others.

No surprise

Clearly, the first group to see a tax hike is going to be high-net-worth individuals, small businesses, and corporations. Tax hikes could be seen by this group before the year is out. Those hikes could even be in the double digits. For example, in Calgary landlords are already seeing double-digit tax hikes, as the city works to pay back its debts. Calgary won’t be the only one having to find ways of bringing in cash during the next few months.

It could be worse for high-net-worth individuals. One proposition put forward in the United States is a one-time “wealth tax.” Should it prove helpful, this could easily be applied to Canada’s wealthy individuals. Most Canadians would be on board, as three out of four Canadians believe there should be a larger tax on the wealthy.

Protect yourself

So, what should you do to prepare for a tax hike? As an individual, there’s one easy solution: your Tax-Free Savings Account (TFSA). This account means you have $69,500 that the government can’t touch.

Take any cash you have and put it there, and you don't have to claim it. In fact, if you and your partner put your TFSAs together, that's $139,000 of contribution room for this year alone to protect your money.

Even if you aren't a high-net-worth individual, it's the best time to do this. Say you're a retiree; you might be declared high-net-worth because you have a lot of cash set aside for retirement. But that's money you need to live off of for the rest of your life! So, put that into your TFSA to save your cash from being taken.

The perfect option right now is to buy up stocks that will serve you in retirement — stocks that will bring in cash while you protect it from the tax man. In this case, that has to be dividend stocks. A perfect choice right now has to be **Enbridge** (TSX:ENB)(NYSE:ENB).

Enbridge offers investors a two-fold chance of growth. First, there is the company's solid dividend of 7.52% as of writing. This dividend is completely safe thanks to the company's long-term contracts that will keep cash coming in for decades. But on top of this are the company's secured growth projects, with Enbridge putting billions aside to build pipelines in the desperately needed energy industry over the next few years. As pipelines are built and energy stocks rebound, Enbridge should see a huge rebound in stock price in the near future.

Bottom line

Let me be clear, a tax hike is necessary. We all need to chip in if there is any hope to pay back the nearly $150 billion set aside for COVID-19. But this is an extraordinary circumstance. The payments aren't sustainable, and hopefully neither are the tax hikes. Once the debt is under control, hopefully whatever government is in power gives us all a tax break in the future.

Meanwhile, using your TFSA to protect your cash is never a bad thing. During this time, every investor should really be looking at their portfolio and finding a way to reinvest for their goals. It's never a bad time to meet with your financial advisor and discuss the best way to protect yourself in this strange economic situation.

CATEGORY

1. Coronavirus
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Coronavirus
2. Investing

Date
2025/08/25
Date Created
2020/06/13
Author
alegatewolfe