CRA Update: Extra $300 COVID-19 Tax Break

Description

Parents may have seen some extra cash in their bank accounts recently. On May 20, eligible individuals who'd already receive the Canada Child Benefit (CCB) saw an increase to that benefit from the Canada Revenue Agency (CRA). These Canadians received a one-time payment of an extra $300 per child on May 20, 2020. After this payment, the CCB will go back to normal. However, the extra cash hopefully helps parents get through this already tough time with their kids at home.

There is, of course, the option to use this money to entertain your kids. After all, is there really such thing as too many bubble blowers? In all likelihood, it's not like you can use the money to hire a tutor or a babysitter right now. So, it might be a far better option to invest that money toward your child's future.

Small but mighty

The $300 from CRA might not seem like a lot, but given time, even a small investment like this can grow into something huge. I get that right now you're likely one of the many Canadians who need every cent they have to get through this financial crisis. However, statistics Canada recently announced almost 290,000 new jobs created last month.

That means it's very likely that you could soon be back to work or working more than you were in the first half of this year. So, now is a great time to start creating either a solid emergency fund for another rainy day or to use this fund to create a nest egg for your child.

A great option to consider right now are blue-chip companies. The banking industry in particular is a great choice. During the last recession, Canadian banks fared as some of the best in the world coming out of the market crash. Within a year's time, the banks were trading at pre-crash prices. If you're going to buy one of the Big Six banks, I would recommend **Royal Bank of Canada** (TSX:RY)(NYSE:RY).

Royal Bank

Royal Bank offers investors a few things. The company has a presence not only in Canada and the

United States but also in the emerging markets of Latin America. This offers a diversified portfolio and means the stock should rebound before its peers. Its exposure to the United States in particular should help the bank rebound, as the U.S. should be ahead of other countries after the financial crisis is over.

The bank continues to see funds come in from the highly lucrative wealth and commercial management sector. Both of these areas should continue to bring in cash while the company sees a downturn in the Canadian markets.

Right now, Royal Bank is a great choice for investors. As of writing, the stock trades at about $91.50. That’s a huge fall from a share price near $110 just a couple months ago. This fall could continue, as the Canadian banking industry is still struggling. But, as an investor, you should be thinking long term, and a year isn’t all that long. That means the stock has a potential upside of about 20% to reach pre-crash prices. On top of that, Royal Bank offers a 4.81% dividend yield for shareholders.

Bottom line

For my kids, I would highly consider taking that $300 from CRA, buying Royal Bank stock, and using the dividends to reinvest in the bank for years to come. Let’s say you’re the average Canadian parent who has about two kids. Even if you didn’t add a single cent to that investment, 20 years from now your original $600 with dividends reinvested could be worth $9,290.90. That’s not a bad nest egg from a couple hundred bucks.

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