PARENTS: 3 CRA Tax Breaks That Could Save You Money!

Description

If you're a parent, you're probably no stranger to hefty bills. According to *MoneySense.ca*, it costs $243,000 to raise a child in Canada–or $12,852 per year for 18 years. Those figures only include the cost of basic necessities. If you plan to pay for your child's post-secondary education, they get even larger.

Faced with such costs, many Canadian parents are unsure of what to do. According to an *Ipsos* poll, 73% of Canadian parents report being "surprised" at the cost of paying for their children's post secondary education, and 55% don't have a plan to finance it.

If you're in that boat, you've probably resigned yourself to the financial stress. Raising a child is expensive, and that's not going to change any time soon.

However, there *are* some tax benefits that can help you out. These include tax breaks that save you money, and cash benefits that provide a financial lifeline. No, they won't completely cover the cost of raising your child. But they could go a long way. The following are just three that you should know in 2020.

Canada Child Benefit

The Canada Child Benefit (CCB) is a monthly benefit paid to parents of children under the age of 18. As of 2020, the maximum possible benefit is $6,639 per child per year. That works out to $553 per month. The CCB has been enhanced in response to the COVID-19 crisis, paying an extra $300 (one time) on top of what you'd normally get. You have to apply for this benefit.

Enhanced GST/HST rebates

The GST/HST rebate is a CRA tax benefit paid to earners below a certain income threshold. This benefit is paid quarterly and is not taxable. The main criteria for getting GST/HST rebates is income:As of 2019, you could get it if your income was below $46,649.

You don’t need to be a parent to get the GST/GST rebate. However, if you have children, the amount of the benefit is increased. You do not have to apply for this benefit.

RESP

The RESP is a tax-sheltered account that lets you save for your child’s education. The benefits from the account depend on whether your child goes on to attend post-secondary. While there’s is no tax deduction for contributing, the money account spares you taxes on your investments.

If your child does go to post-secondary school, the money will be passed on to them tax-free; otherwise, you’ll have to pay taxes on interest.

To illustrate the benefits of an RESP, let’s consider an investor holding $50,000 worth an ETF like the **iShares S&P/TSX 60 Index Fund** (TSX:XIU) inside one. This is a helpful figure to work with because $50,000 is the maximum amount you can contribute to an RESP.

This investor will earn considerable dividends and potentially some capital gains on their position. At current prices, the annual dividend on $50,000 worth of XIU would be between $1,500 and $1,700. That amount could grow over time.

As long as the position in XIU was held inside the RESP, no taxes would be paid on it. Additionally, the recipient (the investor’s child) would likely pay no income tax on withdrawal, since university students rarely have significant income.

The lesson?

By holding ETFs like XIU in an RESP, you can save hundreds of dollars a year in taxes. Over time, that can go a long way in helping you grow investments that pay for your child’s future.

CATEGORY

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