CRA Cash: Turn a $300 Tax Break Into $8,000

Description

There are a number of benefits available to Canadians during this pandemic — many of which you have to apply for. But if you're a parent in Canada, you likely already saw some extra cash come into your account or in the mail back in May courtesy of the Canada Revenue Agency (CRA).

This one-time payment was given on May 20 to parents for a total of $300 per child. The money was a little extra attached to the Canadian Child Benefit (CCB), payments usually received once a month by parents. While the CRA is only giving out this payment once, there's still a lot parents can do with it.

For the kids

It can be tempting to take that cash and run with it, especially at a time when you need the basics like groceries. However, one of the best things you can do for your child is invest that $300. While it might not seem like a lot, it gives you time to turn that $300 from the CRA into quite a lot of cash.

I'm definitely not saying that you should invest in some risky stocks hoping for riches. No, if you're looking to make a lot of money by the time your children need it, the best answer is blue-chip companies. These are companies that have a long history of strength, are household names in the industry, are valued in today's economic crisis, and have a strong future ahead.

By taking that $300 and putting it toward one of these companies, you have a much higher chance of predicting growth. Even if you choose a conservative path, there's no reason to think you won't see huge growth by holding onto these stocks for years. One of the best choices you can make right now are bank stocks.

TD Bank

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) offers investors a reduced share price for solid growth. The bank recently expanded into the United States in the last few years and is already one of the top 10 banks in the country. That's with plenty more expansion room to grow. Sure, during the economic downturn TD Bank will be like the rest of Canada's big banks.

It will struggle with the housing crisis and repayment of loans. But it also stands to be like the other banks in the last financial crisis. Canadian banks fared as some of the best in the world, reverting to pre-crash prices within a year.

Even with the predicted multiple market crashes, TD Bank isn't going anywhere. The bank has been around for 168 years, so it's very likely to be around for another 20, which makes your investment quite safe. So if you take that CRA $300 and put it in TD Bank today, you can take advantage of a reduced share price, and the banks dividends to reinvest.

Bottom line

Let's say you have one child and invest that $300 from CRA in TD Bank. To match pre-crash prices, in a year's time you could turn your $300 investment into $406. Then, if you were to hold onto that stock for 25 years, adding nothing but reinvesting those dividends, you would have about $8,000 by that time.

While I would always recommend making automatic contributions, my goal here is to show you just how far even $300 can take you. Every little bit helps. So consider putting that $300 from CRA to work before blowing all in one place.

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Author
alegatewolfe