CRA Update: How to Get an Extra $300 Tax Break

Description

Canada Revenue Agency (CRA) has been expanding some programs to support more Canadians through this crisis. Back in May, CRA decided to bump up the Canada Child Benefit (CCB) by an extra $300. This one-time payment should have showed up in your account on May 20 if you're eligible (a parent).

The $300 tax break is a one-time payment. The CCB program has since reverted back to its original schedule. While the amount isn't significant, parents may be able to use it to secure their child's future through savvy investments.

Here are two ways you can deploy this tiny amount to drive big returns over time.

Invest in blue-chip stocks

Canada's largest and most robust companies have stood the test of time. These so-called blue-chip stocks performed well during the previous financial crisis and could outperform most stocks during this ongoing downturn.

My personal favourite is **Fortis**. The utility giant has an unbeaten track record of dividend growth that stretches back four decades. The stock has lost just 2% this year, despite the chaos. While a 3.6% dividend might not sound impressive, it's probably the most reliable dividend on the market this year.

Another blue-chip favourite is **Royal Bank** (TSX:RY)(NYSE:RY). Canada's largest bank is also the most robust. Royal Bank has mitigated its risks by diversifying its operations across several asset classes and geographies.

Its network of branches stretches across the United States and Canada and is gradually expanding across Latin America. Meanwhile, the bank's portfolio is diversified among consumer, corporate and mortgage loans.

The company's venture capital and wealth management operations are also expanding rapidly. This well-diversified stock has lost 10% of its value in 2020, which means that investors can buy it for a bargain valuation. Investing your $300 CRA tax break in RY stock could deliver a 4.66% dividend yield and plenty of potential for growth.

Invest in growth stocks

Another way to spend your CRA tax break is to bet on growth stocks. If you don't need the $300 right away or regular dividends, investing in growth stocks for long-term capital appreciation could be the best way to secure your child's future.

Dollarama and **Descartes** are great examples of top-notch growth stocks. If you invested $300 in Descartes stock in 2010, it would be worth $3,600 today. If you had invested $300 in Dollarama at the same time, it would be worth $3,000 today. A track record of steady growth is always a green flag for long-term investors.

Emerging tech stocks and consumer brands have the most potential for upside. Take the time to find an underappreciated growth star trading at a reasonable valuation for best results.

Bottom line

The CRA's $300 CCB payment could go a long way to help you and your family. You could certainly use the amount to hire an online tutor or pay for exercise equipment to help your child.

But if you don't need the amount right away, investing it in blue chip or growth stocks could make a big difference to your child's financial future.

In times like these, every little helps.

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