Canada Revenue Agency: Are You Eligible for the CCB Tax Break?

Description

The Canada child benefit (CCB) program is administered by the Canada Revenue Agency (CRA). This tax-free monthly payment is made to eligible families to help them with the cost of raising children under the age of 18.

In order to be eligible for the CCB, you need to live with a child who is under the age of 18 and be primarily responsible for the care and upbringing of the child. You also need to be a resident of Canada for tax purposes.

If your family's net income is below $31,120 per year, you qualify to receive the maximum payment for each of your children. The maximum annual amount for children under the age of six is $6,639. For children between the age of six and seventeen, the maximum annual payment is $5,602.

Some Canadian provinces and territories offer additional assistance to help you with the cost of raising a family. For example, the Ontario child benefit (OCB) is a tax-free amount paid to low- to moderate-income families. You may be eligible to receive up to $119.5 per month for each child under the age of 18. If your adjusted family net income is above 21,887, the benefit may be partial.

The Canada Revenue Agency administers the OCB that is entirely funded by the province of Ontario. Similarly, the Alberta child benefit pays $1,155 per year for the first child to families with annual income below $26,769. If your adjusted income is between $26,769 and $43,295, you are eligible for a partial payment.

Supplementing these tax-free incomes

The federal government and the Canada Revenue Agency have taken several measures to boost the disposable income for Canadian families. However, these payments are just meant to provide additional support and may not be enough to cover all your expenses.

There is another way to supplement these tax-free benefits and create a tax-free income stream of your own. The ongoing market weakness can be leveraged to purchase dividend-paying stocks and store them in a Tax-Free Savings Account (TFSA).

The recent pullback in Canadian equity markets has increased the dividend yields of several blue-chip companies. For people who do not have the time or expertise to invest in individual stocks, ETFs, such as the **iShares Canadian Select Dividend ETF** (TSX:XDV), are ideal options.

ETFs hold a basket of stocks and diversifies risk to a great extent. XDV has a forward yield of 5.7%, which means if you allocate the TFSA contribution limit of $6,000 and buy this ETF, you can generate over $340 in annual dividends. You can reinvest these dividends and benefit from the power of compounding to create long-term wealth.

The XDV ETF is trading at a price of $20.82, which is 22% below its 52-week high. Long-term investors can also increase wealth by capital gains as well when the market stages a comeback.

For example, XDV touched a record low of $12.8 during the financial crisis of 2008-09. It more than doubled over the next decade to reach $26.79 at the start of 2020.

You should consider taking advantage of the above-mentioned tax breaks and add another tax-free income stream by leveraging your TFSA contributions. Passive or ETF investing can be an ideal starting point for such a TFSA portfolio.

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