



## Yes, Your \$5,000 CRA Emergency Payment Can Help You Pay Your Student Loan

### Description

As a student, you are at the start of your career and have low income. Having a huge debt burden at this stage of life is challenging to sustain. Even in a strong economy, many recent graduates are struggling to pay off their student loans. And if you fail to get a job for a long time, the debt will keep piling up, leading to a long-term financial impact.

According to the National Graduates Survey, a university student in a bachelor's program has an average debt of \$28,000 at the time of their graduation. A separate study also found that student loan is a significant contributor to graduates declaring insolvency in their mid-30s. These graduates are declaring insolvencies primarily because they handled their finances poorly.

The COVID-19 pandemic has created a job crisis, as many businesses are temporarily closed and many are downsizing. If you are a student who is unable to work or unable to find work, the [Canada Emergency Student Benefit](#) (CESB) of up to \$1,250 per month can help you pay for your living expense until August. The government has also suspended the student loan payments until September.

### CRA emergency payment

The Canada Revenue Agency (CRA) is allowing students to earn by volunteering for a not-for-profit organization that is working on the COVID-19 response. Under the Canada Student Service Grant (CSSG), the CRA will pay you a maximum of \$5,000 for 500 hours. To earn this \$5,000, you need to work daily eight hours for three months or four hours for six months. The last day to register for the program is August 21.

The CSSG will offer you work experience, which will be beneficial in your career. It will also pay you \$5,000, which will help you pay off a significant portion of your student loan by the time you graduate. How? You can convert this \$5,000 into \$15,000 in five years, which you can use to repay a substantial chunk of your student loan.

## Using \$5,000 CRA emergency payment to repay your student loan

If you are an 18-year-old Canadian citizen, you can open a Tax-Free Savings Account (TFSA) and put the money earned from volunteer work in it. You will still pay tax on the \$5,000 you received under the CSSG. But the money that you obtain from your investment will be exempt from taxes.

If you still have another four to six years before you graduate, investing in high-growth stocks can fetch you handsome returns. Being a millennial, you understand the power of technology and how it is redesigning the future of almost everything. Hence, tech stocks are a good start.

If you are confused about which tech stock to invest in, you can [diversify your money](#) by investing in the **iShares S&P/TSX Capped Information Technology Index ETF**. This ETF will give you exposure to good tech stocks like **Shopify** and **Constellation Software** that have strong growth potential.

The ETF has increased by 250% in five years. If it replicates this growth in the next five years, your \$5,000 will become \$17,500 by the time you graduate.

## Investing discipline can relieve you from student loans

The government offers students financial assistance of \$3,000 per year that will take care of your living expense during the academic year. Hence, you can invest the money earned from your summer jobs. This way, you can have a sufficient amount to repay your entire student loan.

For instance, let's say you make \$3,000 in the three months of summer. If you manage to save \$1,500 for an investment that fetches you around 5.5% in an annual dividend yield, you will have another \$8,400 saved in your TFSA by the time you graduate. A good dividend stock is **RioCan REIT**, which has an average annual dividend yield of over 5.5%.

## A penny saved is a penny earned

Starting your career with \$26,000 in your TFSA will give you more confidence than \$28,000 in debt. You can use your passive income from your investments to pay off your debt. Adopting a regular investing habit can build your passive income over the years. These savings will give you the financial flexibility to pursue your dreams.

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