



## Attention Parents: The CRA Gives Up to \$8,000 in Benefits for Your Five-Year Old Child

### Description

Canada is known for the generous benefits it offers to its citizens. The Canada Revenue Agency (CRA) has put in place benefits, credits, tax deductions, and grants to help low and mid-income parents raise their children in their growth years. Its financial support starts from when the baby is born and continues until he or she turns 17.

The CRA benefits are higher (up to \$8,055 per year) for children below six years of age and they reduce (up to \$6,600 per year) as children grow older and more independent. You can avail of all these benefits if you regularly file your tax returns and keep your information up to date.

### The CRA for your child

The CRA offers Canada Child Benefit (CCB) of up to \$533 per month, or \$6,400 a year, for children under six years of age. This year in May, the agency gave out a one-time bonus of \$300 per child in CCB as part of the COVID-19 response.

In addition to CCB, Canadian provinces also offer child benefits. Apart from CCB, the CRA offers up to \$155 annually in Goods and Services Tax Credit (GSTC) for every child.

I will take the example of James and Ann, a married couple with a five-year-old daughter. They are both working and living in Alberta and have an adjusted family net income of less than \$30,000. [Alberta offers working parents](#) up to \$2,011 per year in child and family benefit for the first child.

As James and Ann file their tax returns, the one with lower income can deduct up to \$8,000 in [child care expenses](#) in his/her taxable income, saving them up to \$1,200 in federal tax.

Adding up all the above benefits, the CRA gives parents of a five-year-old up to \$8,055 (\$6,400 + \$300 + \$155 + \$1,200). After adding the tax savings and benefits of Alberta province, the CRA benefits increase by \$2,800 to over \$10,800.

The benefits amount reduces to \$6,600 annually when the child turns six and stays around this level until he/she is 17. However, the benefits reduce as the family income increases. But the benefits amount and period increase if the child has a disability.

## Investing in RESP

The Canadian government provides you financial support in the growth years of your child. As parents, you can do a tad bit to protect your child's future. You can start investing \$50 a week, or \$2,500 a year, for your child's education in the Registered Education Savings Plan (RESP) while he/she is still young.

Going back to our previous example, James and Ann open an RESP for their five-year-old daughter. They contribute \$2,500 every year for the next 10 years. By the time she is 15, her RESP will be credited with up to \$7,200 in Canada Education Savings Grant and up to \$2,000 in Canada Learning Bond. This amount will be in addition to her parents' contribution of \$25,000.

## Growth stocks for your child's growth

Like James and Ann, even you can invest \$2,500 through RESP in high-growth stocks and support your child's post-secondary education. You can invest in the **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#)).

The future is more inclined toward technology. The XIT ETF gives you exposure to the best tech stocks trading on the **Toronto Stock Exchange**. It has grown 480% in the last 10 years, giving an average annual return of around 20%. If you had invested \$2,500 every year for the last 10 years, your portfolio value would be \$75,000.

On top of that, the Canadian government will add up to \$9,000 in grants. However, it will take back these grants if your child does not pursue further studies. Parents can withdraw their contributions and the income earned from them anytime by adding the investment income in their taxable income.

The rising tuition cost has made it necessary for you to start investing through RESP when your kid is still young.

### CATEGORY

1. Coronavirus
2. Investing
3. Tech Stocks

### TICKERS GLOBAL

1. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

**Category**

1. Coronavirus
2. Investing
3. Tech Stocks

**Date**

2025/07/25

**Date Created**

2020/07/16

**Author**

pujatayal

default watermark

default watermark