



## CRA to Retirees: This New Update Is for You!

### Description

There's been some criticism coming out about the Canadian Emergency Response Benefit (CERB). Canada at first was heralded for getting its citizens cash in hand as soon as possible. However, it's been months now that the pandemic has hit Canadians, and some changes became necessary. Some of those changes affect retirees.

For instance, many Canadians who didn't necessarily need the benefit were contacted by the Canada Revenue Agency (CRA). Unfortunately, not only were payments suspended, but Canadians were told they would have to pay back the CERB. As Canada continues into a deficit not witnessed since the Second World War, it's time the government started looking at other options.

### What happened?

The Registered Retirement Income Fund (RRIF) are accounts registered with the federal government. The funds give retirees a steady source of income, taken from the [savings accumulated](#) in your Registered Retirement Savings Plan (RRSP). Once you turn 65, Canadians must take out at least 4% of their RRIF balance at the beginning of each year, and claim it as income. That changes as you get older.

But for 2020, things have changed. The Canadian government saw that Canadians did not want to take out cash and claim it as income, as they need those savings to stay put. The minimum requirement was reduced by 25% for the year, unless you already withdrew more than the reduced amount for the year.

Unfortunately, you won't be able to re-contribute that money back into your RRIF. So, what this means is retirees will only be taxed if they withdraw more than the minimum amount before reductions.

### Do the math

Here's how it would work if retirees had a minimum reduction of \$12,000 before the reduction for a

minimum of \$1,000 per month. Reducing that \$12,000 by 25% would give you \$9,000. If you had already taken out \$1,000 per month for January to April, that means you have \$5,000 left for the year to reach the new minimum amount of \$9,000. So, for the next eight months you have to take out \$625 minimum.

It may sound like the government is simply putting a limit on you, but look at it this way. Right now, there is a market downturn. Retirees are going to want to keep their savings safe in a RRSP as long as they can. That's because taking it out means you aren't able to wait for a market rebound. The market always comes back, so when it does you'll want as much of your savings in there as possible, not in cash.

## Another option?

If retirees really want to get back to that \$1,000 per month, there's an easy way to do that: dividends. To make back that \$3,000 for the year, you want a steady, stable, strong dividend yield to see you through 2020. One great option is **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)).

First off, the company hasn't missed a payout in [over 100 years](#). That includes during this pandemic, and all other economic downturns. The stock also has a high dividend yield of 5.82% as of writing. To make that \$3,000 per year, that would mean an investment of about \$51,000 as of writing.

Then retirees can hold onto this stock for years to come, as the company's strength isn't about to go anywhere any time soon. In fact, to reach pre-crash levels, there is still a potential upside of 14% as of writing.

### CATEGORY

1. Coronavirus
2. Investing

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