CRA Cash: Grow Your $300 Tax Break

Description

Canadians are receiving substantial economic assistance during the COVID-19 pandemic. Many parents received [$300 per child] in May from the Canada Revenue Agency (CRA).

Recipients of the Canadian Child Benefit (CCB) received an extra $300 per child on May 20. If you received this extra cash, you might have extra disposable income with which to either save or spend.

If you fit into this category, the COVID-19 pandemic might be an unfortunate excuse to start building up your Tax-Free Savings Account or Registered Retirement Savings Plan. Alternatively, you can invest the funds for your child's future educational expenses.

Invest in market outperformers

Before you invest your CRA tax breaks, fully research the stocks. Find out the historical price performance on the asset. If the stock reliably outperforms the index, then the investment might be a good choice.

Start by comparing the industry to the index performance. If the industry is leading the market index higher, then start looking at different sectors within the industry. Look for the disruptive top performers.

For example, you might want to look at cloud computing within the technology industry. Once you single out some stocks within cloud computing, compare your options. You can subject these companies to some peer performance analysis.

None of this is as complicated as you think. Compare revenue growth and price performance of peer stocks. If one or more seems to be leading the category higher, make small investments in each one. From there, you can monitor the price performance of each one and start buying in small quantities on daily dips.

Take advantage of CRA tax breaks

Take advantage of your CRA tax breaks. The Canadian government is issuing you this cash to make your life easier. The last thing you want to do is take it for granted.

You can save it for a rainy day or spend it on essentials today. If you do have extra room in your budget to invest in the stock market. Now is a great time to slowly start building your savings portfolio.

You can easily start earning from a $300 CRA tax break in the stock market today if you play your cards right. There are great dividend stocks trading at attractive prices in the market.

Bank stocks offer great dividends

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a well-situated Canadian bank with future growth potential. While there exists some temporary price volatility in the banking sector from fears of growing defaults, Canadian banks are strongly capitalized with dependable dividend histories.

Warren Buffett just increased his stake in **Bank of America** stock last month. If this renowned investor is bullish on banks despite default risk, then maybe it is time to increase holdings in financial stocks.

If you buy TD Bank stock today with your CRA tax breaks, you can start earning 5.1% per year in dividend returns. As of Monday, the stock was trading between $61 and $62 per share and had a price-to-earnings ratio of 10.88.

Like other stocks, the market value of TD Bank fell during the March 2020 market crash. TD Bank fell from a 52-week high of $77.72 to a low of $49.01 per share. The stock may have rebounded since then, but it is still cheap compared to the market prices prior to the health crisis.

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