CRA to Parents: Here's How Much You're Going to Get From CCB

Description

Right off the bat, if you're in this article, you should know exactly what I'm talking about. However, if you're a new parent, or recently found out you're going to be one, you might not be aware of how it works. The Canada Child Benefit (CCB) is a payment on the 20th of each month to Canadian parents. But there's much more to it than that.

While there are other programs that say one thing and dish out another, I can say that CCB is relatively generous. If you have a child that is under six, you can receive a maximum of $6,765 per year for that child. If you have a child that's between six and 17, you can receive a maximum of $5,708 for that child.

The average Canadian family receive about $6,800 in annual benefits from CCB. That's about $567 in monthly tax-free payments coming your way. On top of that, you'll also likely receive payments from your provincial or territorial government as well.

But what about after 17?

So, you've gotten used to these monthly payments. You may have used these payments to invest in your child's future. But once your child reaches 17, they don't suddenly become a different person. They're still your child, and you'll want to help support them.

If you're a new parent, you can start this straight away. Simply start putting those payments towards your child's future by investing in a Tax-Free Savings Account (TFSA). These are tax-free payments from the government, so put them to work the best way you can. While a Registered Education Savings Plan (RESP) is also a great idea, especially as you receive 20% back from the government to a limit of $2,500 per year, it's limited to education. Some children may not go to university or college but need help with a mortgage or starting a business or starting a family of their own.

What that might look like

Let's say you decide to invest in a strong, stable company like **Royal Bank of Canada** (TSX:RY)(NYSE:RY

). Royal Bank has decades, more than a century, really, of growth to look back on. The company has expanded globally, but continues to expand into emerging markets. So, you can look forward to steady growth in the future as well. On top of that, the company has been able to come out of recessions and economic downturns relatively strong in the past. So, this should bode well for future downfalls down the line.

The company currently has a 10-year CAGR of 10.32%, with a five-year return of 61%. Its dividend yield sits at 4.53%, with a CAGR for the last decade of 8% as of writing.

So, first of all, let's say you invest that average $6,800 each year in a TFSA into Royal Bank. You then reinvest those payments over the next 17 years. By the time your child is ready for school, those annual payments should have grown to a whopping $500,366.27 with dividends reinvested.

Foolish takeaway

This is all by just investing in one stock for 17 years. If you were to then leave those funds alone, reinvesting dividends for decades more, your child could be set for life. After all, they have their whole life ahead of them! With a company like Royal Bank, you can be fairly certain even in 70 years the bank should be around. Now your child is likely a multi-millionaire, all because you invested your CCB payments.

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