



Canada Recovery Benefit (CRB): How Much Can You Really Get?

Description

The new Canada Recovery Benefit (CRB) replaces the CERB extension, but there are some important differences to check between the two programs.

How much does the Canada Recovery Benefit (CRB) pay?

The CRB pays \$500 per week in two-week periods, compared to the \$500 per weeks paid by CERB in monthly periods. The CRA will collect income tax on the income in both cases, however, the way that is done differs. Under the CERB program, the full \$2,000 per month went directly to eligible applicants. The CRA intends to collect the required tax when the 2020 filings are made next year.

In the case of the CRB, the CRA is withholding 10% of the payment for income tax right from the start, which means the payment made for the two-week period is only \$900. When a person files their 2020 and 2021 income taxes, the CRA will determine if more tax is due on the CRB payments.

As mentioned, a CERB period covered four weeks. The CERB extension meant people could receive as much as \$14,000 for the full seven periods of the program. People had to apply separately for each period.

The CRB program pays individuals for a maximum of 13 periods, or 26 weeks. Each period requires a new application. The total amount of money available per person is \$13,000, but the withholding tax on the amount reduces the actual cash payments to \$11,700. The CRB program runs from September 27, 2020 to September 25, 2021.

Who can get the Canada Recovery Benefit (CRB)?

The CRA designed the CRB program to help Canadian residents who lost income due to [COVID-19](#) and are not covered under the Employment Insurance (EI) program.

The idea is to assist self-employed workers, or those who had employment income, but fall outside of

EI coverage. This might include gig economy workers, and people who take contracts with a variety of businesses.

A person can only apply for and receive one benefit. Anyone who applies for or receives the Canada Recovery Sickness Benefit (CRSB), Canada Recovery Caregiver Benefit (CRCB), EI, QPIP, short-term disability, or workers' compensation is not eligible under the CRB program.

Another important CRB rule to check is the minimum income requirement. Applicants had to have earned at least \$5,000 in 2019, 2020, or the 12 months before the CRB application date.

In order to qualify for the Canada Recovery Benefit, a person must be out of work during the respective two-week period due to COVID-19 or income must be down 50% compared to the previous year's average weekly income due to COVID-19.

How to protect yourself against a future financial crisis

The pandemic caught everyone by surprise. It is frustrating to be hit so hard by something completely out of your control. Unfortunately, this is the second major financial crisis in the past decade. It likely won't be the last.

Given the constant uncertainty, it makes sense to start building our own personal recovery benefit fund. One way to do this is to use the Tax-Free Savings Account (TFSA) to hold top-quality dividend stocks and use the distributions to buy more shares.

The CRA can't touch any earnings or profits we get from the [Tax-Free Savings Account \(TFSA\) investments](#).

Over time, relatively small investments can grow to be large savings. In the event we don't need to tap the fund before retirement, the money can grow to be quite substantial.

For example, a \$10,000 investment in **Royal Bank of Canada** just 25 years ago would be worth \$300,000 today with the dividends reinvested.

At the current dividend [yield](#), the investment would generate \$13,200 per year in dividend income!

The bottom line

The government might not have the means to implement another extensive Canada Recovery Benefit in future years.

We don't know when the next financial crisis will occur, but we can start to build our own financial safety-net to protect against potential loss of income.

The TFSA is a perfect vehicle for this savings fund and the **TSX Index** is home to many top stocks, like Royal Bank.

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Author

aswalker

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