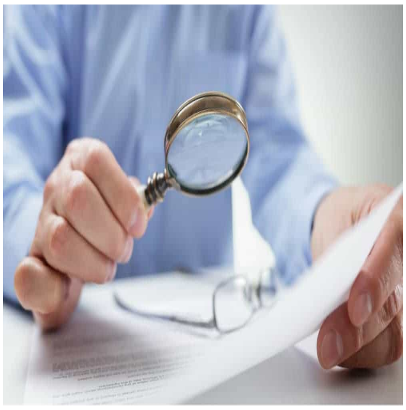

CRB Application: Read the CRA's Canada Recovery Benefit Fine Print

Description

The Canada Recovery Benefit (CRB) is one of the new COVID-19 benefits designed to help transition off the CERB plan, but there are important differences in the details between CERB and the CRB application that impact how much money people can receive.

CRB application: How to apply for the new CRB

The CRB application process differs from CERB.

First, the CRA split the CRB program into two-week periods, rather than the four-week periods under CERB. This means people must apply every two weeks and confirm they qualify. In addition, the CRB application is retroactive. This means you can't apply until the relevant two-week period has passed.

CRB is available for a maximum of 26 weeks, or 13 periods. The first period begins September 27, 2020, and applications can be made for periods through September 25, 2021.

CRB applications are made through the CRA's My Account website page or by phone. As a result of the security issues experienced in recent months with CERB, the CRA is implementing more security measures under the CRA application process.

The CRA also suggests people make sure they have filed their 2019 income taxes to speed up the CRB application process.

How much does the CRB pay?

CERB and the CRB both pay $500 per week. Under the CERB plan, the CRA paid the full $2,000 every four weeks. Taxes will be determined when the applicant files 2020 personal income taxes. The CRB is less generous up-front, as the CRA withholds 10% right away, so the net payout is $450 per week or $900 for each two-week period.

Additional taxes, if required, will be determined when applicants file their 2020 or 2021 tax returns.

The CRB application program currently pays a maximum gross amount of $13,000, but the most anyone will actually receive during the next 12 months is $11,700.

What happens after the CRB application expires?

The government hopes the economy will rebound strongly in 2021 and unemployment will drop back to 2019 levels. The CRA isn't planning to extend the CRB after the application deadline.

We have no idea when the next crisis will arrive, but it makes sense to start making our own personal plan to fill the CERB and CRB gap. The government might not have the same flexibility down the road.

One way to do this involves using the Tax-Free savings Account (TFSA) to build a portfolio of dividend stocks. The TFSA contribution limit is currently $59,500.

The benefit of a TFSA recovery fund is that the income pulled from the TFSA is not taxable. In addition, the investments can grow tax-free inside the TFSA, so dividends and capital gains can be reinvested to build the size of the savings.

Some people might find they have a bit of extra cash in the coming months. This could be a good time to start the TFSA emergency fund.

Investments made in top-quality dividend stocks can grow to large amounts over time. For example, a $5,000 investment in Fortis just 25 years ago would be worth $110,000 today with the dividends reinvested.

The bottom line

The CERB and CRB payments are helping millions of Canadians get through the crisis, and we hope this is the last time we will face an economic disaster of such proportions.

Nonetheless, it is a good idea to start using the TFSA to start a rainy-day fund. Fortunately, many of the top stock in the **TSX Index** now trade at very attractive prices.

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Date
2025/07/28
Date Created
2020/10/14
Author
aswalker