



Did CRB Delays Leave You Cash-Strapped in October?

Description

The Canada Revenue Agency (CRA) opened the [application window for the second period](#) of Canada Recovery Benefit (CRB). The CRA will pay \$900 CRB after-tax for every two weeks you become eligible. The first CRB payment was [delayed by a week](#) as there was a technical glitch on the CRA's system that verifies the eligibility of the applicant. This delay set a bearish tone for the stock market, which had returned to rally in September after the CRB announcement.

The CRB delays leave Canadians cash-strapped

This one-week delay in the CRB payment was actually a three-week delay of CRA cash benefit for Canadians. Before CRB, the CRA was giving \$2,000 Canada Emergency Response Benefit (CERB) to Canadians for a four-week period. The transition from the CERB to CRB was not smooth.

The CRA paid CERB ahead of the benefit period. So for the last period from August 30 to September 26, Canadians applied on August 31 and got the CERB on September 7.

Now, the CRA transitioned to CRB, which paid \$200 less as it deducted tax at source. The CRA paid the new benefit in arrears after the end of the two-week benefit period. So Canadians applied for the first period from September 27 to October 10, on October 12. But many people got an error message. It took the CRA the entire week to fix the issue. Then, it closed its website over the weekend (October 17-18) for scheduled maintenance. Canadians who reapplied for the CRB on October 19 got their benefit payment on October 26.

The gap between the last CERB and first CRB payment was 48 days, a delay of 20 days. And after the delay Canadians got just \$900. This was also the time when most Canadians filed their 2019 tax returns to meet the September 30 deadline. This means they had an additional expense of tax bill.

The CRB delays plus the tax filing left many Canadians cash-strapped in October. Hence, they reached out to their emergency funds and encashed stocks to pay for their expenses. The **TSX Composite Index** fell 3.2% since October 12.

You can be cash-strapped in April 2021

The dreadful October could repeat itself in April 2021 when you file your 2020 taxes. If you continue to apply for the CRB for 13 consecutive periods, you will be collecting your last unemployment benefit on April 5. If you are still jobless, you will be cash-strapped as you would have no CRA cash benefit. As well, you will have to pay a tax bill on the benefits you collected this year.

The CERB and CRB payments are additive to your 2020 taxable income. In 2020, you can get a maximum CRA cash benefit of \$19,400 (\$14,000 in CERB and \$5,400 in CRB). You can avert the October-like crisis in April 2021 by planning ahead.

What next after the CRB ends?

Start saving at least \$200 from your CRB payment in a quality stock through Tax-Free Savings Account (TFSA). The stock market has also plunged, giving you an opportunity to buy a good stock at a discount. One such stock is **RioCan REIT** ([TSX:REI-UN](#)). The retail REIT earns cash flow from the rent it collects from its tenants.

The pandemic forced many non-essential retail stores to close down. The entire world moved to online stores, and retailers had difficulty paying rent as they made losses on physical stores. Hence, many retailers, both big and small, decided to close many of their outlets.

The pandemic exposed RioCan to two risks: rent defaults and second of reduced occupancy. The federal government's rent assistance package and security deposits of tenants helped RioCan mitigate the losses from rent default. Most of its properties are in prime areas, which means its shops would not be vacant for long.

However, the headwinds have discounted the stock by 46% from its average trading price and inflated its dividend yield to 9.9%. If you invest \$200 in it now, it will give you around \$20 in annual dividends. When the stock recovers in two years, it will earn you \$170 in capital appreciation.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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