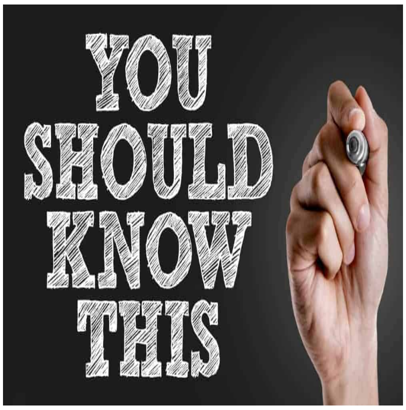

Canada Revenue Agency: Making Sense of the Switch From CERB to CRB

Description

Canada Revenue Agency (CRA) benefits have been a lifeline for many in this coronavirus pandemic. They have been a key component of the economic picture in Canada — but sometimes it can get confusing. Let's take a moment to make sense of the transition from CERB to CRB.

Canada Emergency Response Benefit (CERB)

The CERB gives financial support to employed and self-employed Canadians who are directly affected by COVID-19. Although the CERB benefit technically ended in September, the Canada Revenue Agency is still accepting applications until December 2020. They will be processed retroactively. With this program, eligible Canadians can receive $2,000 for a four week period.

If you qualify, when the CERB payments end, you can start receiving Employment Insurance (EI) benefits.

Canada Response Benefit replaces the CERB

The CRA started accepting applications for the CRB on October 12. This benefit gives eligible Canadians who are affected by coronavirus but don't qualify to receive EI, $500 per week for up to 26 weeks. This program runs from September 27, 2020 to September 25, 2021. Eligible Canadians must apply every two weeks for a maximum of thirteen periods (26 weeks).

How can a TFSA help?

Well, there's no question that programs such as the CERB and the CRB are lifesavers. But the downside to them is that they are limited in duration and they are taxable.

By contrast, a Tax-Free Savings Account (TFSA) has no time limit and any income received within this investment vehicle is 100% tax-free. The only limit we need to keep in mind is the current lifetime limit of $69,500. While the TFSA limit in 2021 may increase by another $6,000 to $75,500, nothing has been announced as of yet.

Buy Telus stock for your TFSA

Getting started with a TFSA is quite simple. Just go to your bank and request that they open up a TFSA account for you. Deciding which investments to put into your TFSA is a little more complicated, but we can do this. In my view, you should consider Telus stock. Telus is a stock to buy for your TFSA for its generous dividend yield of 5%. It's also a stock to buy for your TFSA for its defensive characteristics and its essential business status.

We need telecommunications more than ever in these days to keep the economy going. This pandemic has wiped out many physical places of business. The internet is providing Canadians with access to many goods and services. It is keeping the lines of communication open with health providers, allowing many of us to work from home.

In the third quarter of 2020, Telus' momentum was obvious. Customer growth hit a record, revenue increased 7.7%, and the company reinstated its multi-year dividend growth program. Telus is targeting 7% to 10% dividend growth through to 2022. And its dividend was increased 7% in the quarter, the nineteenth dividend increase since 2011.

If you had invested the $69,500 limit in Telus stock, you would receive $3,475 in dividend income annually. This translates to $252 per month. And with the possible increase in the TFSA limit in 2021, this would rise to annual income of $3,775 or $315 per month. This is tax-free and lasts as long as Telus is still around returning cash to shareholders.

The CERB and CRB programs from the CRA are meant as a lifeline for us to get through the coronavirus crisis. The TFSA gives the gift of consistent tax-free income for the long haul.

The bottom line

The CRB program has been essential for many Canadians in this coronavirus pandemic. I think it is worthwhile, however, to remind investors of the importance of taking advantage of the TFSA to your full capability. Every little bit counts, so if you can redirect funds to this savings vehicle, your future self will be happy – and much richer.

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