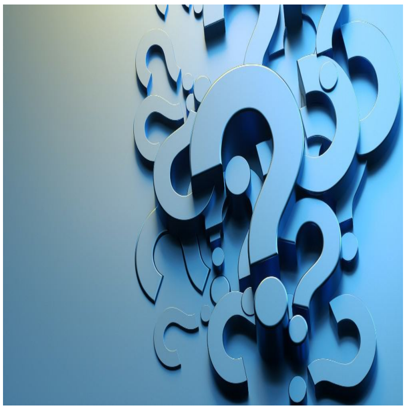

CRA: Do You Qualify for $500/Week EI?

Description

The Justin-Trudeau led Liberals have had their hands full in 2020, tackling what is shaping up to be the greatest global crisis of the 21st century. Radical new programs were introduced through the Canada Revenue Agency (CRA) to help Canadians through the pandemic. The Canada Emergency Response Benefit (CERB) granted millions of Canadians immediate relief from March through to October. In order to replace a program that many relied on in 2020, the federal government introduced three new benefits and retooled the employment insurance (EI) system.

Today, I want to explore who qualifies for this expanded EI program. Let's jump in.

CRA: Why the government revamped Employment Insurance (EI)

Coming into 2020, there were policymakers already clamouring for an overhaul of what many viewed as a dated system. The COVID-19 pandemic provided the opportunity to push through this transformation. Now, eligibility for EI has been greatly expanded. Moreover, the amount Canadians can receive through EI has also been boosted.

This was likely a necessity considering the dependence that millions of Canadians had on the CERB through 2020. The economy has bounced back in part from the spring and summer lockdowns, but unemployment and labour participation rates still sit at troubling levels. Without an adequate social safety net, Canada could quickly slip into a major crisis. Canadians can apply for the three new benefits through the CRA. Those are available for those who do not qualify for the revamped EI program.

Do you qualify for the new and improved EI?

This “new and improved” EI will only be in effect for one year. What shape EI will take once this crisis abates is anyone’s guess.

Currently, those applying for EI only need 120 insured hours to qualify for benefits. That is because Canadians will receive a one-time credit of 300 insured hours to cross the 420-hour threshold that is officially required. Canadians approved will receive at least $500 per week before taxes but could receive more depending on circumstance. The benefits will run for a minimum of 26 weeks.

As Canadians can see, the catchment for EI qualifications has expanded dramatically. For those who still do not meet qualifications, there are still the new benefits to consider through the CRA.

Pay nothing to the CRA with a TFSA income strategy

It would not be a benefit-related article if I didn’t harp on a passive-income investment strategy. Canadians should also look to explore this alternative. Those who want to churn out passive income should do so in a Tax-Free Savings Account (TFSA) to avoid paying the CRA capital gains.

Finning International (TSX:FTT) is a stock I’m bullish on for the long term. It is also perfect for a TFSA. This company is engaged in selling, servicing, and renting heavy equipment, power and energy systems in North America and around the world. Its shares have dropped 1.8% in 2020. However, the stock is up 19% over the past three months.

In Q3 2020, Finning reported earnings per share of $0.54 — up 17% from the prior year. The company improved profitability in Canada by pursuing a reduced cost structure. However, net revenue still fell 26% on the domestic front. Finning stock last possessed a price-to-earnings ratio of 18 and a price-to-book value of 1.7. This puts it in favourable value territory. Better yet, it offers a quarterly dividend of $0.205 per share. That represents a 3.4% yield. In a TFSA, all that income goes to you and nothing goes to the CRA.

CATEGORY

1. Investing

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Category

1. Investing

Date
2025/07/21
Date Created
2020/11/19
Author
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