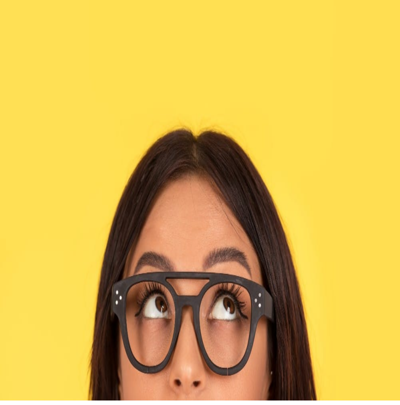

Canada Recovery Benefit (CRB): Don’t Bother if You Make Over $40,000

Description

The Canada Recovery Benefit (CRB) is a new $500 weekly benefit for Canadians. It and related benefits like the CRCB and CRSB continue to provide financial support in the post-CERB era. Like the CERB, these benefits are fully taxable and may have to be paid back if you earn too much money.

As it turns out, the amount of money you have to make to start paying it back isn’t much at all. If you earn over $38,000 this year, you’ll immediately have to start paying back CRB money you received. At $40,000, you’d probably be better off not taking it at all. Here’s why.

Why $40,000 is such an important threshold

CRB re-payment kicks in when you earn $38,000. The amount that you have to pay back is $0.50 for every $1 over $38,000. So, if you earned $38,001, you’d have to pay back 50 cents. If you earned $38,100, you’d have to pay back $50. And so on.

So, why is $40,000 such a crucial income threshold for CRB recipients?

This is the income level at which you start having to pay back one full CRB cheque. The CRB is paid bi-weekly for a pre-tax value of $1,000 per cheque. If you earn $40,000, you’ll have to pay back one full $1,000 cheque. Unless you plan on receiving the CRB for an extended period of time, the benefit becomes effectively pointless at that income level.

REALLY don’t bother if you make over $64,000

As shown above, you'll have to pay back an *entire* CRB cheque if you earn $40,000. Where things get really wild is if you earn $64,000 or more next year. At that income level, you'd have to pay back $13,000 in CRB money. That would eat up the entire value of the benefit over the entire 26 week eligibility period! While it could make sense to take the CRB at a $40,000 income level if you plan to receive it for more than one pay period, taking it at $64,000 would really be pointless. At that income level, you'd have to pay back every penny you received.

What to do instead

If you're unemployed but think you'll earn too much income in 2020 or 2021 to justify taking the CRB, you may still have options — particularly if you have some savings and are eligible to open a Tax-Free Savings Account (TFSA). If you have, say, $50,000 in savings, you can open a TFSA and buy investments that pay you handsomely — eliminating the need to apply for benefits like the CRB.

Consider **Fortis** (TSX:FTS)(NYSE:FTS), for example. It's a dividend stock that yields 3.8% at today's prices. With a 3.8% yield, you'll get $1,900 in annual cash back on every $50,000 invested. And you'll pay no taxes on your shares if you hold them in a TFSA. $1,900 tax free is equal to more than two CRB payments, which are fully taxable. So, a $50,000 position in FTS held in a TFSA can replace a month of CRB income. Of course, the amount of money received from the Fortis shares would be spread out over a longer time period. Still, it's a nice tax-free bonus that can carry you through a rainy day.

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