The $1,984 Credit Almost Everyone in Canada Is Eligible to Claim!

Description

Many headlines these days continue to focus on the benefits related to COVID-19. The Canada Emergency Response Benefit (CERB), Canada Recovery Benefit (CRB), and its counterparts have both been a lifeline for those without work. However, there are benefits and credits available to Canadians that have nothing to do with the pandemic. In fact, as long as you work and file your tax returns, the Canada Revenue Agency (CRA) has a $1,984 credit just for you!

The BPA

What is the BPA? That's the Basic Personal Amount. The BPA is a non-refundable tax credit that can be claimed by all individuals. The goal is to reduce federal income tax for those who fall below the BPA, and a partial reduction for those above the BPA. Basically, it reduces what you owe to the CRA.

This year, the federal government increased the BPA from $12,298 to $13,229 for individuals with a net income of $150,473 or less. From there, the CRA will allow you to exempt 15%, the minimum federal tax rate, on the BPA. So, 15% of $13,229 would mean you can reduce your tax bill by $1,984!

Make the most of your cash

Around tax time next year, you'll be able to put through your tax return and hopefully receive a refund. Especially by using that $1,984 tax credit. You'll also be aware of the Tax-Free Savings Account (TFSA) contribution increase by then. That means you can hopefully see some money come in from the government that can be used towards investing.

It should be a good time to invest, as the markets will continue to be volatile. In fact, with the pandemic still raging and forcing some businesses and cities across Canada into level red, just shy of a lockdown, we could be amid yet another market crash. Further crashes will happen, and very likely around the time businesses continue to close, and earnings come in far below pre-crash levels.

So, again, it will be a great time to invest if you're receiving a refund from the government. That's money that's not coming out of your pay cheque. Then you can invest in stocks at a bargain price. But what should you invest in?

Find stable winners

What you want aren't the risky stocks that could take years to rebound from a market crash and pandemic. Instead, you want stable stocks that you can buy at a bargain, see a huge jump after the pandemic, and continue rising for years to come. These types of stocks are usually blue-chip companies that have been around for decades, and have a strong future ahead.

You should definitely have a few to watch on your watchlist, but the Big Six Banks are a great place to start. **Royal Bank of Canada** (TSX:RY)(NYSE:RY) in particular is a strong option as Canada's largest bank by market capitalization as of writing. This bank has over a century of historical growth behind it, growing 867% in the last 20 years! That would make a $6,000 investment then worth about $27,500 today!

Then there are dividends to consider. The company has seen strong payouts even during this market downturn. You can currently pick up a 3.99% dividend yield and choose to reinvest that into the stock a few times a year when the price dips. Again, free money that is only growing your strong portfolio.

Bottom line

If you were to just take that $1,984 and put it towards Royal Bank today, in another 20 years, you could have a portfolio worth $22,000 with dividends reinvested. All while still keeping every penny of your hard-earned paycheque.

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