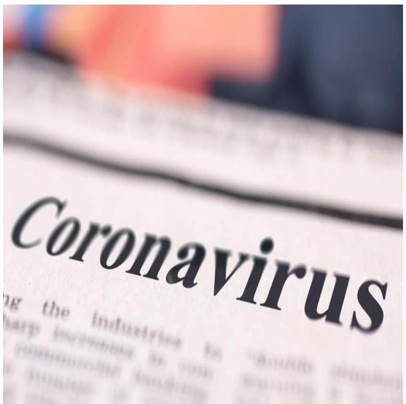

Canada Revenue Agency: 2 COVID-19 Payments You Can Receive

Description

The COVID-19 has devastated the economy and affected the lives of billions of people around the globe. Millions of people lost their jobs or closed businesses in Canada alone. The situation was (and still is) dire, but it would have been catastrophic if it weren't for some of the timely actions of the CRA. The COVID-related tax breaks would not have been enough to help people through one of the worst financial years that the country had seen in decades.

The government's first comprehensive response for people's financial aid was the CERB program, which provided $2,000 a month to millions of recipients who had lost their jobs or businesses and couldn't find work because of the pandemic. The CERB is now over, but there are two COVID-19 payments you can still receive.

The EI benefit

The EI benefit was not created specifically for responding to the financial mess that COVID-19 created. It has been around for a long time, but its usual requirements would have excluded a significant amount of worthy recipients. So, the CRA relaxed the eligibility criteria for the program, gave people a one-time 300 insurable-hours credit, and raised the minimum so that people receive an adequate enough amount to get by.

The EI was expected to cater to the bulk of CERB recipients. Still, its model and requirements are not flexible enough to accommodate people who are associated with the gig economy.

The CRB payment

The CRB was created for people who don't qualify for the EI. It's ideally suited for freelancers and gig workers. The program has already approved over four million applications, is catering to over 1.28 million unique applicants, and has given over $4 billion in benefit payments. It's not expected to costthe government as much as the CERB did, but it would still be a hefty bill that taxpayers might have topick up (in part) in the future.

A tax-free alternative

Both the CRB and the EI are taxable and will contribute towards your taxable income for the year and raise your tax rate. If you had a nest egg built up in your TFSA for such financial emergencies, you could have relied on that instead of the taxable benefit payments. Still, it's never too late to do the right thing, and you can start building your nest egg in the TFSA's tax-free incubator. One stock that might help you with that is **Canadian Apartment Properties REIT** (TSX:CAR.UN).

It's a dividend aristocrat of eight years. Right now, it's offering a modest yield of 2.75%, but a more attractive feature is its capital growth potential. It has been one of the best growth REITs of the last decade, and even now, when the share price is 18.8% down from its pre-pandemic high, the 10-year CAGR of the company comes out to about 16%.

At this rate, just one year's TFSA contributions ($6,000) can grow up to $26,000 in a decade. That's way more than you can realistically get from the CRB and the EI, and it would be tax-free. The REIT manages over 65,000 apartments in the country.

Foolish takeaway

The government tries to help in situations like these, but your first line of defence should always be your own savings and emergency funds. Savings alone might not be able to help you through several months of low to no income, so you should always try to invest and grow your money. If you are worried about market crashes, invest in blue-chip stocks and aristocrats, and diversify your portfolio for optimal sheltering.

CATEGORY

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TICKERS GLOBAL

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