



Is Your 2020 Net Income \$48,800? No CRB for You

Description

This year, the Canada Revenue Agency (CRA) gave \$2,000/month with the Canada Emergency Response Benefit (CERB) between April and September to help Canadians stay afloat the pandemic. The CRA continued the financial support by replacing CERB with the Canada Recovery Benefit (CRB). Before you apply for CRB, calculate your 2020 net income, because if it reaches \$48,800, the CRA will take away all your CRB.

What's your 2020 net income?

The CRA gave CERB to those who lost their jobs because of the pandemic and who earned not more than \$1,000 during the four-week benefit period. If you met the \$1,000 threshold, you earned \$7,000 and got CERB payments of \$14,000 between April and September.

For instance, Joy had a monthly net income of \$8,000 before the pandemic. She lost her job in March and collected the maximum CERB. During the CERB period, she did some part-time projects and earned close to \$1,000 every month. In late September, she got a job but at half the pay (\$4,000/month).

Now, Joy's circumstances [qualify](#) her to apply for CRB; she earned more than \$5,000 before March and was working at a 50% reduced pay, because the pandemic disrupted her industry. But her 2020 net income, after including the CERB payments, add up to \$49,000.

No CRB for you if your 2020 net income is \$48,800

From September 27, the CRA started paying \$1,000 CRB for one period of two weeks. But it is deducting a \$100 tax from every payment. For the year 2020, a qualified Canadian can collect up to \$5,400 CRB after-tax for six periods.

The CRA has designed the CRB for low- and mid-income earners. If your 2020 net income is above \$38,000, the CRA will take away 50% of the surplus income up to the CRB payments you claimed. If your 2020 net income is \$48,800 or more, your surplus income comes to \$10,800. The half of \$10,800 is \$5,400, which is equal to the maximum CRB one can collect in 2020.

In Joy's case, even if she does collect CRB in 2020, the CRA will take away her entire benefit amount when she files the 2020 tax return in April 2021.

How to protect your CRB from CRA's claws

While Joy can't stop the CRA from clawing back the CRB money, she can delay the clawback by leveraging the retroactive payment clause. The CRA opens the application window for the two-week CRB on the following Monday after the period ends. The CRA keeps this window open for 60 days.

Joy can apply for the October 25–November 7 period CRB any time between November 9 and January 8, 2021. The CRA will review her application and credit CRB payment within three to five business days. She can apply for all her pending CRB payments from November and December in January 2021. She can get a total of \$3,600 after-tax in retroactive CRB payments. The CRA will still claw back this amount, but in April 2022. This way, Joy can delay the clawback by 15 months.

How to convert \$3,000 to \$4,500 in 15 months

You can make the CRB money work for you by investing it in stocks with good growth potential. History shows that stocks grow at a faster rate in the recovering economy than in a growing economy.

Warren Buffett [placed his bet on Canada's oil giant Suncor Energy \(TSX:SU\)\(NYSE:SU\)](#), as he saw value in it. The stock fell more than 60% in the March sell-off, as the pandemic-induced travel restrictions significantly reduced oil demand. But the vaccine news revived investors' hope of recovery, and the stock surged 44% since November 9.

As travel restrictions ease and oil demand recovers, Suncor stock will surge to the pre-pandemic level of \$40, representing an 80% upside. Even if I take a cautious estimate that the stock recovers partially to \$33, it represents a 50% upside. Also, it has a dividend yield of 3.8%.

In 15 months, you can convert \$3,000 into more than \$4,500 (\$140 in dividends + \$1,400 in capital appreciation) by investing in Suncor. Invest in Suncor through Tax-Free Savings Account (TFSA), as you don't want the CRA to claw back a portion of your investment income in the form of tax.

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