



CRA Benefits: How Many Extensions Can You Expect?

Description

The Canada Revenue Agency has offered generous benefits over the past year. Since the crisis erupted, the CRA has expanded several existing programs and launched new ones to cover nearly everyone who was impacted. But how long will the CRA benefits be extended?

Understanding the true extent of the government's safety net is crucial for investors. Here's a closer look at what the CRA seems to be indicating and how investors can prepare themselves for what lies ahead.

CRA benefit extensions

Prime Minister Justin Trudeau announced an extension to the Canada Emergency Wage Subsidy and the Canada Emergency Rent Subsidy until June of this year. Older programs, such as the Canada Emergency Response Benefit (CERB), were [extended several times](#) and replaced with other benefit programs that offered a similar level of support.

"Our government will continue to do whatever it takes, for as long as it takes," said Finance Minister Chrystia Freeland this week. Those comments are eerily similar to the 'whatever it takes' mantra followed by then-President of the European Central Bank Mario Draghi during the Eurozone crisis of 2012.

Europe did sustain stimulus measures until economic activity rebounded and the Euro was saved. Which means we could see CRA benefits extended until we've reached herd immunity (a vaccination rate of 70% or more) or the economy has fully recovered (unemployment rate below 6%).

Considering the abysmal pace of our national vaccination drive, I would expect CRA benefits to linger around until at least 2022. If my thesis is correct, investors should prepare their portfolio for a prolonged period of stimulus.

Prepare your portfolio

An investor's job is to maximize returns while minimizing risks. The CRA benefits put a floor on the economy. If every household can expect a check from the government during an economic crisis, risk is taken off the table. The benefits have also found their way into households that don't necessarily need them.

Canada's household savings rate hit a record 28.2% in 2020. It's around 12.7% right now, which is still far above average. As the economy reopens, I expect this pent-up demand to be unleashed onto the economy. Consumption stocks should sky rocket.

My top picks are **Air Canada** ([TSX:AC](#)) and **Aritzia** ([TSX:ATZ](#)). Consumers have been trapped at home for over a year now. Families are probably planning their post-pandemic vacations already. Meanwhile, sales of clothes and accessories dropped off last year as offices and restaurants remained shut. I expect a rebound in retail and travel should benefit both these stocks.

Air Canada stock is still beaten down. It's trading at less than half of its pre-crisis high. That makes it an attractive opportunity for bargain-hunters. Aritzia stock has rebounded from its March, 2020 lows. It's not a bargain like Air Canada, but it's arguably a better growth stock.

Keep an eye on both as we experience a roaring economic recovery in 2021. Good luck!

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