



CRA Benefits: Big Changes Coming to CCB in 2021

Description

It started as a joke in March 2020 that there could be a baby boom in nine months, as couples were locked in their homes. But nine months from the lockdown, the statistics showed the opposite was true. Quebec's and British Columbia's birthrate fell in December 2020. University of Victoria economist Elisabeth Gugl listed [many factors](#) that could have caused this dip, and one of them was financial uncertainty. The Canada Revenue Agency (CRA) realized the extra support parents needed during the lockdown. Hence, it made big changes to the Canada Child Benefit (CCB) it offers parents.

The CRA introduces additional CCB for 2021

Even before the pandemic, the CRA offered several types of benefits to parents like higher Goods and Service Tax (GST) refund, a childcare expense deduction, and the CCB. While the first two benefits remain unchanged, the CRA is offering an additional CCB for parents of children under six.

If you have been receiving the CCB, the CRA will credit an additional \$300 CCB every quarter for the entirety of 2021 or till your child's sixth birthday, whichever is earlier. And this additional CCB is exempt from taxes, just like your original CCB.

To qualify for this additional CCB, you should be a parent to a child below six, earning less than \$120,000, and filing taxes regularly. Even if you earn more than \$120,000, you will get half the CCB of \$150 per quarter. The CRA has no such condition that the child should be your firstborn. So, even if you are blessed with twins, you can get up to \$600 per quarter in additional CCB.

The CRA increases the CCB amount in 2021

In addition to the above \$1,200 special CCB, the CRA increased the regular CCB after adjusting for inflation and income. The CRA created the CCB to help the low- and mid-income earners raise their children. Your child under six can get you up to \$6,833 in CCB between July 2021 and June 2022 if your 2020 average family net income (AFNI) is less than \$32,028. Unlike the special CCB, the regular CCB will phase out as your AFNI and the number of children increases.

For instance, Mary and Danny have twins (age four), and their AFNI is \$40,000. They qualify for a \$1,200 special CCB for each child. However, their regular CCB will phase out at the rate of 7% of the surplus income (\$7,972) for the first child and 13.5% for the second child. They will get \$6,275 CCB for the first child (\$6,833-7% of \$7,972) and \$5,757 (\$6,833-13.5% of \$7,972) for the second child. In total, Marry and Danny can get up to \$14,432 in CCB in 2021, and all of this is tax-free.

A personal benefits pool

The maximum CCB parents can get for their baby is \$8,033. While this amount may look huge, money vanishes in thin air when you have a baby. Hence, it's good to plan your personal benefits pool, as the child benefit may not be enough. A good idea is to plan out your expenses and deposit \$100-\$200 per month in your Tax-Free Savings Account (TFSA).

The CRA allows you to invest in stocks, ETFs, and bonds trading on recognized stock exchanges. You can invest in telecom operator **BCE** ([TSX:BCE](#))([NYSE:BCE](#)) for the long term. After years of capital spending and consolidation, BCE now has the largest communication network in Canada. With its 4G network, it is operating at an adjusted EBITDA of 42%. It is investing aggressively in [the 5G](#) infrastructure.

The 5G opportunity is several times larger than 4G. The 5G will connect vehicles, drones, robots, cameras, and all edge devices, small and big, to the internet. The next two years might see weakness in cash flows because of high capital spending. But once the revenue from 5G starts flowing, it might accelerate its dividend growth.

What's in it for you?

In 2021, BCE increased its dividend per share by 5.1%, lower than its 10-year dividend compounded annual growth rate of 6.4%. It has an average dividend yield of 5.15%. A \$100 investment every month will leave you with more than \$7,000 in your TFSA in five years.

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