Canada Revenue Agency: The CRB Will Cut Down to $300/Week in July

Description

It is time for everyone to return to work, and the Trudeau administration was clear about that during the budget for 2021. The Canadian government offered everyone affected by the pandemic generous benefits of $500 per week for over a year. The Canada Revenue Agency (CRA) is now cutting down the benefits to $300 per week.

If you still depend on the benefits, you should not worry too much. The reduction in benefits is also coming with yet another extension. After the 12-week extension to the Canada Recovery Benefit (CRB), the CRA will now pay affected Canadians for a total of 50 weeks.

2021 budget announcement for CRB

The Canada Emergency Response Benefit (CERB) was the first COVID-19 benefit program launched by the government to pump liquidity into the economy and prevent a market collapse. In October 2020, the government replaced CERB with CRB.

Both programs paid $500 per week, but the government deducted a 10% tax at source on the CRB. It means that you would get $450 per week. The government initially kept a 26-week limit to CRB, but it was forced to extend it to 38 weeks after the second wave hit.

While the situation is getting better, the recovery is slow. The government decided to extend the benefit's maximum limit to 50 weeks to keep the markets afloat. The CRB is expected to end on September 25, but the government has given the CRA flexibility to extend the benefit to November 20 if necessary.

What the CRB cut will do

If you have been receiving the CRB benefit regularly since it began, you would have used up your 38-week limit on June 19, 2020. You would have collected $14,100 after the tax in CRB benefits. The second extension will let you get continuous weekly benefits till September 11, but with a reduced amount.

Additionally, the CRA will withhold 20% tax on this $300 per week payment. It means that you will get $270 per week after the CRA taxes it at the source. The maximum amount an eligible Canadian can receive through CRB will be $21,060.

This cut is the government's way of phasing out the stimulus program and helping the economy stand on its own as it recovers.

Creating passive income for yourself

It was inevitable that the government would begin phasing out COVID-19 benefits by gradually reducing our dependence on it. Many might mourn the reduced CRB benefit, but it could be an ideal time to consider laying down the groundwork for your own benefits pool.

There is still some time left for the CRB to end, and you can use this time to create a rainy day fund that keeps growing in your Tax-Free Savings Account (TFSA). The tax-sheltered account could be an ideal investment tool to help you generate substantial, passive and tax-free income.

Consider setting aside a portion of each CRB benefit payment you receive and investing it in a reliable dividend stock like **BCE** (TSX:BCE)(NYSE:BCE).

Trading for $58.38 per share at writing, BCE boasts a juicy 5.99% dividend yield that you can lock in at its current valuation. The returns you can get through its dividends alone are far better than what you could get in interest through any high-interest savings account with banks.

Besides its juicy dividend payouts, BCE is well positioned to grow your wealth through capital gains. The 5G revolution is underway, and BCE has accelerated its investments in expanding the company's 5G infrastructure. Once the money begins flowing from its 5G investments, the company might even accelerate its dividend growth rate.

Foolish takeaway

An alternative revenue stream in your TFSA can help you make the most of your remaining CRB payments through tax-free returns that can keep growing in your account. The dividends you generate from the money and any capital gains can keep accumulating over time to provide you with better financial security in the future.

Reinvesting your dividends into the stock can help you unlock the power of compounding to accelerate your tax-free wealth growth and become much wealthier in the long run on a seemingly insignificant initial investment.

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