How the $10-a-Day Childcare Program Will Reshape Canadian Finances

### Description

Child care is one of the biggest expenses Canadian families face. The industry is tightly regulated and faces a severe shortage of certified professionals. Meanwhile, the cost of living has surged dramatically as the pandemic recedes. This stress on personal finances may have left most Canadians with little to spare and invest.



Fortunately, the Canadian government is about to step in and make child care much more affordable. The added savings could help you secure your family's financial future. Here's how.

## Childcare plan

Child care is expensive. In some parts of the country, such as Toronto, the average family could face a monthly expense of roughly $1,700 in child care alone. In other parts of the country, parents could be spending between $400 to $800 on monthly child care.

This is an essential service that allows parents, and especially mothers, to re-enter the workforce. Higher participation of parents could significantly boost the economy as we exit the crisis. This is why Finance Minister Chrystia Freeland announced a new childcare plan as part of the Liberal government's 2021 Budget.

The plan seeks to cut the cost of child care to $10 a day by 2026. That means most families could expect to spend roughly $300 a month on these services — a significant reduction.

Last week, British Columbia became the first province to sign up for the program. With help from the federal government, the province expects to cut the average childcare cost by 50% within a few years.

As other provinces sign up to the plan, Canadian parents could earn more and spend less over time. Those extra savings could be invested to boost the family's wealth.

## Extra savings

Depending on where you live and how successful this program is, you could save hundreds of dollars every month. Assuming your childcare costs reduce by $500 a month and your earnings increase by $250 as a result of a better childcare plan, you may have $750 to invest.

$750 invested every month in the **TSX 60 Index**, which has delivered a compound annual growth rate (CAGR) of 6%, could turn into $340,000 within 20 years. Alternatively, you could invest in a robust dividend-growth stock like **Exchange Income** (TSX:EIF).

Exchange Income is a diversified conglomerate that operates businesses in the aviation and manufacturing services sectors. These sectors have steady cash flows and reliable long-term contracts, which is why Exchange Income can offer an attractive dividend yield.

The stock currently offers a dividend yield of 5.65%. The stock price is up 54.3% over the past year. Meanwhile, the management team has managed to boost the dividend every year since 2005. In other words, this dividend stock could outperform the TSX 60 index over the long term.

Assuming the stock delivers a CAGR of 8%, you could turn your $750 monthly investments into $430,000 within 20 years.



## Bottom line

The government's new childcare plan could allow Canadian parents to earn and save more every month. Investing this spare cash in robust dividend stocks like Exchange Income could be the perfect recipe for wealth creation.

**CATEGORY**

1. Coronavirus
2. Dividend Stocks
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**TICKERS GLOBAL**

1. TSX:EIF (Exchange Income Corporation)

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