Child Care Costs to Fall by 25% in April – What That Means for Investors

Description

The Canadian government moved forward with the promise of $10-per-day child care this week. Prime Minister Justin Trudeau announced a deal for more affordable child care within Ontario.

What happened

While it won't be $10-per-day immediately, starting on April 1, Ontario families will see child care fees reduced by 25%. In December, that will reduce further to a total of 50%. This will continue until the goal is reached of $10 child care, aiming for March 2026.

The new deal with Ontario means the Government of Canada has now signed agreements with every province and territory. Most have already seen a reduction in child care fees, with most seeing a 50% reduction this year.

So what

Ever noticed that a lot of parents tend to go on maternity or paternity leave and simply not come back for years? This is why. It can cost some Canadian parents about $20,000 *per year* to pay for child care. If one parent is making about $35,000 per year, why on earth would they spend that much on child care rather than staying home?

This new deal changes that, getting more Canadians back to work. It means Canadians have far more money in their pockets, since child care becomes less of an insane cost. But what exactly should parents plan to do with these new savings?

Now what

Invest, of course. That's clear, but let me get into more detail. Parents who haven't been able to put money aside for their children should start right now, today. And the best way to do this is by taking advantage of another government program through the Registered Education Savings Plan (RESP).

The RESP is arguably what Canadian parents should invest in first and foremost. This is because Canadians receive a 20% top up on their contributions to an RESP every year, up to $500 per child. That's free money!

Where to invest that money? I would go straight toward dividend income. That will create the best bang for your buck. But realizing this is also your child's future, I would stick to the defensive Big Six Banks. Right now, your top choice has to be **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM).

CIBC has the highest dividend of the Big Six Banks, offering $6.44 per share per year. So let's say you hit that maximum and put $2,500 in this year. That would bring in an additional $500 from the government, making it $3,000. If all that is invested in CIBC stock, it could give you an additional $125 toward your child's future.

Bottom line

This new child care deal is huge for Canadians. But don't let it go to waste by spending it on frivolous items. Open up an RESP and make sure to try your best to hit that maximum $2,500 each year. That, coupled with a dividend stock like CIBC, will bring in even more income you can look forward to each and every year.

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