



Wealth
Management

the Navigator

INVESTMENT, TAX AND LIFESTYLE PERSPECTIVES FROM RBC WEALTH MANAGEMENT SERVICES



Bosak Wealth Management
of RBC Dominion Securities
63 Church Street, Suite 400
St. Catharines, ON L2R 3C4
Tel: 905-988-5441 | Fax: 905-988-5889
Toll free: 1 800-263-7200
www.bosakwealthmanagement.com

Adam Bosak, PFP, CIM, FCSI
Portfolio Manager & Wealth Advisor
Tel: 905-988-5441
adam.bosak@rbc.com

Kim Bertrand
Associate
Tel: 905-988-5025
kim.bertrand@rbc.com

Jaime Bosak, BA
Associate
Tel: 905-988-5896
jaime.bosak@rbc.com

The Government of Canada's economic response to COVID-19

On March 18, 2020, the Prime Minister announced certain economic measures to help stabilize the economy that will provide support for Canadian workers and businesses. This article contains a summary of these proposed measures:

Support for individuals

Temporary support for workers and parents

- Effective March 15, 2020 the government has temporarily waived the one-week waiting period and medical certificate requirement for those who are in quarantine and claim Employment Insurance (EI) sickness benefits.
- The government is introducing an **Emergency Care Benefit**. This flat-payment benefit will provide up to \$900 bi-weekly, for up to 15 weeks to workers (including the self-employed) that don't qualify for the EI sickness benefits and are quarantined or sick with COVID-19 or taking care of a family member who is sick with COVID-19. Parents with children who require care or supervision due to school closures, and are unable to earn employment income, will qualify for the benefit irrespective of whether they qualify for EI or not.

If you are eligible, you can apply for the benefit as of April 2020 and attest that you meet the eligibility requirements. The Canada Revenue Agency (CRA) will be responsible for screening and approving those who apply.

Long-term support for workers

- The government is introducing an **Emergency Support Benefit** to support workers who are facing unemployment as a result of the COVID-19 pandemic and are not eligible for EI. This benefit is expected to be implemented in early April although no other details have been provided.
- The government is implementing the **EI Work Sharing Program**, to provide EI benefits to workers who agree to reduce their normal working hours as a result of the COVID-19 pandemic. This program will ease EI eligibility requirements as well as extend eligibility for the EI benefits to 76 weeks.

Support for low- and modest-income families

For low- and modest-income families, the government is offering:

- A one-time additional **Goods and Services Tax credit** (GSTC) payment by early May 2020. For those that qualify, this will increase income, on average, by approximately \$400 for singles and \$600 for couples for the benefit year.
- A one-time additional payment of \$300 per child for those who qualify for the **Canada Child Benefit** (CCB) in May 2020.

Eligibility for the GSTC and CCB is based on your personal income tax return, so if you expect to receive these benefits, aim to file your 2019 tax return as soon as possible.

Other measures

In addition to the above, the government is offering financial assistance to Indigenous communities, students with student loans, those experiencing homelessness and women and children fleeing violence.

Support for personal and small business banking customers

- The government is allowing homeowners, who may be experiencing financial difficulty, to defer mortgage payments on loans insured by the Canada Mortgage and Housing Corporation, effective immediately.
- RBC and other Canadian financial institutions have announced plans to provide financial relief to Canadians impacted by the financial consequences of COVID-19. Effective immediately, the banks will work with personal and small business banking customers on a case-by-case basis. The support will include up to a six-month payment deferral for mortgages, and the opportunity for relief on other credit products. Individual Canadians or business owners facing hardship are encouraged to contact their bank directly to discuss the options that could be available to them.

Support for businesses

The Canada Account

- The Canada Account is used by the government to support export transactions which Export Development Canada (EDC) is unable to support, but is determined to be in Canada's national interest. Currently transactions exceeding a certain threshold or those of a sensitive nature are, in practice, approved by Cabinet. The government is changing the Canada Account so that the Minister of Finance would now be able to determine the limit of the Canada Account in order to deal with exceptional circumstances.

The government is allowing homeowners, who may be experiencing financial difficulty, to defer mortgage payments on loans insured by the Canada Mortgage and Housing Corporation, effective immediately.

This measure will allow the government to provide additional support to Canadian companies through loans, guarantees or insurance policies.

Suspending CRA audits

- The CRA will not initiate any new post assessment GST/HST or Income Tax audits for small or medium businesses for the next four weeks. Also, for most businesses, the CRA will temporarily suspend any audits currently in progress.

Providing wage subsidies

- For “eligible small employers”, which will include corporations eligible for the small business deduction, as well as non-profit organizations and charities, the government is proposing to provide a **temporary wage subsidy** for a period of three months. The subsidy will be equal to 10% of remuneration paid during that period, up to a maximum subsidy of \$1,375 per employee and \$25,000 per employer. The purpose of this subsidy is to support businesses and to help prevent lay-offs.

Although supporting legislation containing more details will follow shortly, effective immediately, these businesses will be able to benefit from this measure by reducing their remittances of income tax withheld on their employees' remuneration.

Ensuring access to credit

- The **Business Credit Availability Program (BCAP)** will allow the Business Development Bank of Canada (BDC) and EDC to provide more credit solutions to small and medium-sized businesses, including in sectors such as oil and gas, air transportation and tourism.
- Farm Credit Canada will increase the near-term credit available to farmers and the agri-food sector.
- The Office of the Superintendent of Financial Institutions (OSFI) will **lower the Domestic Stability Buffer by 1.25%** of risk-weighted assets, effective immediately, allowing large Canadian banks to inject \$300 billion of additional lending in to the economy.
- The Bank of Canada cut the interest rate to 0.75% to help ensure that financial institutions can continue to extend credit to both households and businesses.

Supporting financial market liquidity

- To bolster the financial system and the Canadian economy, the government launched an **Insured Mortgage Purchase Program (IMPP)** to purchase up to \$50 billion of insured mortgage pools through CMHC.
- The Bank of Canada has announced that it will adjust its market liquidity operations to maintain market functioning and credit availability during this period of uncertainty, will broaden eligible collateral for certain credit facilities and stands ready to provide support to the Canada Mortgage Bond (CMB) market so that they continue to function well. This would include, as required, purchases of CMBs in the secondary market.

Tax related measures

- The government announced measures to help alleviate financial hardship for individuals, trusts and businesses by extending income tax filings and payment due dates.
- They also proposed that minimum withdrawals from Registered Retirement income funds will be reduced by 25% for 2020. This will allow seniors to defer paying tax on funds that they don't need for their living expenses.

Both these measures are discussed in greater detail in our article on new measures to assist taxpayers during COVID-19 pandemic.

Takeaway

These government proposals and initiatives are aimed at helping individuals and businesses facing financial hardship as a result of the COVID-19 pandemic. The government intends that these actions and programs will help stabilize the economy, support businesses and protect Canadians.

This article may contain strategies, not all of which will apply to your particular financial circumstances. The information in this article is not intended to provide legal, tax or insurance advice. To ensure that your own circumstances have been properly considered and that action is taken based on the latest information available, you should obtain professional advice from a qualified tax, legal and/or insurance advisor before acting on any of the information in this article.



Wealth
Management

This document has been prepared for use by the RBC Wealth Management member companies, RBC Dominion Securities Inc. (RBC DS)*, RBC Phillips, Hager & North Investment Counsel Inc. (RBC PH&N IC), RBC Global Asset Management Inc. (RBC GAM), Royal Trust Corporation of Canada and The Royal Trust Company (collectively, the "Companies") and their affiliates, RBC Direct Investing Inc. (RBC DI) *, RBC Wealth Management Financial Services Inc. (RBC WMFS) and Royal Mutual Funds Inc. (RMFI). *Member-Canadian Investor Protection Fund. Each of the Companies, their affiliates and the Royal Bank of Canada are separate corporate entities which are affiliated. "RBC advisor" refers to Private Bankers who are employees of Royal Bank of Canada and mutual fund representatives of RMFI, Investment Counsellors who are employees of RBC PH&N IC, Senior Trust Advisors and Trust Officers who are employees of The Royal Trust Company or Royal Trust Corporation of Canada, or Investment Advisors who are employees of RBC DS. In Quebec, financial planning services are provided by RMFI or RBC WMFS and each is licensed as a financial services firm in that province. In the rest of Canada, financial planning services are available through RMFI, Royal Trust Corporation of Canada, The Royal Trust Company, or RBC DS. Estate and trust services are provided by Royal Trust Corporation of Canada and The Royal Trust Company. If specific products or services are not offered by one of the Companies or RMFI, clients may request a referral to another RBC partner. Insurance products are offered through RBC Wealth Management Financial Services Inc., a subsidiary of RBC Dominion Securities Inc. When providing life insurance products in all provinces except Quebec, Investment Advisors are acting as Insurance Representatives of RBC Wealth Management Financial Services Inc. In Quebec, Investment Advisors are acting as Financial Security Advisors of RBC Wealth Management Financial Services Inc. RBC Wealth Management Financial Services Inc. is licensed as a financial services firm in the province of Quebec. The strategies, advice and technical content in this publication are provided for the general guidance and benefit of our clients, based on information believed to be accurate and complete, but we cannot guarantee its accuracy or completeness. This publication is not intended as nor does it constitute tax or legal advice. Readers should consult a qualified legal, tax or other professional advisor when planning to implement a strategy. This will ensure that their individual circumstances have been considered properly and that action is taken on the latest available information. Interest rates, market conditions, tax rules, and other investment factors are subject to change. This information is not investment advice and should only be used in conjunction with a discussion with your RBC advisor. None of the Companies, RMFI, RBC WMFS, RBC DI, Royal Bank of Canada or any of its affiliates or any other person accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. ®/™ Registered trademarks of Royal Bank of Canada. Used under licence. © 2020 Royal Bank of Canada. All rights reserved. NAV0261 (03/20)