

## How to manage your personal finances during the COVID-19 crisis

Source: [CPA](#)

Establish what government support you are eligible for and expenses you can cut back on with these tips.

COVID-19 is hitting Canadians hard financially with many unsure how to make ends meet as days pass by. Incomes have been abruptly reduced or eliminated as doors shutter on businesses for an indeterminate amount of time.

In response, [federal](#), provincial and municipal governments are implementing emergency response plans that include financial support, while other service providers, including financial institutions and telecommunication providers, are stepping up with ways to defer payments and avoid penalties.

Here's how you can reduce the financial repercussions of COVID-19.

### 1. Replenish lost income

Under the federal government's \$107 billion [COVID-19 Economic Response Plan](#)—\$52 billion of which is direct support for employers and workers, and \$55 billion of which is tax deferrals—workers and businesses may be eligible for financial assistance under a few scenarios.

- **Those in quarantine** can apply for Employment Insurance (EI) sickness benefits, without providing a medical certificate or waiting the seven days for enactment, as is normally required.

Those who don't qualify for EI may be eligible for a taxable benefit of up to \$2,000 a month for four months under the following criteria:

- **Workers who must stop working due to COVID-19** and don't have access to paid leave or other income support.
- **Workers who are sick, quarantined, or taking care someone who is sick.**
- **Working parents who must stay home without pay** to care for children who are sick or need care due to school or daycare closures.
- **Workers who are employed but are not being paid** because there is a lack of sufficient work and/or their employer requested they don't come to work.
- **Wage earners and self-employed individuals**, including contract workers, who would not otherwise be eligible for EI.

"It [the plan] hits a lot of the areas that our normal automatic stabilizers do not, focusing on 1), those who don't qualify for employment insurance but still need income support, and 2), businesses who are certainly suffering from self-isolating customers but still trying to pay staff," says Francis Fong, CPA Canada's chief economist.

Other credits, to be delivered in May, **include a one-time Goods and Services Tax credit (GSTC)** doubling the payment to approximately \$400 for singles and \$600 for couples, for low- to mid-income families. Parents will receive **an extra \$300 per child in the Canada Child Benefit** payment amounts, applicable for the 2019/2020 benefit year.

Also included under the plan are a **six-month interest-free moratorium** on the repayment of student loans and a **25 per cent reduction in minimum withdrawals** from Registered Retirement Income Fund (RRIFs) and variable benefit payments under a Registered Pension Plan to reduce the impact of volatile markets on seniors' retirement savings.

"[Make sure you] understand eligibility and caveats to government support," advises Doretta Thompson, CPA Canada's financial literacy leader. "This will really prevent headaches when you need to access needed funding."

In addition to federal measures being offered, Canadians should look at their province's and municipality's websites for details on how they are responding and providing support during the COVID-19 pandemic.

## **2. File your taxes**

[Taxpayers have until June 1, 2020](#) (extended from April 30) to file their taxes. The deadline for self-employed individuals and their spouses/partners remains June 15, 2020. You will also not have to pay any balance owing until September 1, 2020, and this also applies to instalments for the 2020 tax year.

"The delay in payment deadlines is a great move for those whose income and cash flow are uncertain," says CPA Bob Gore, principal of Robert Gore & Associates Chartered Professional Accountants.

Gore, however, encourages Canadians to file taxes on time, if they can. Those expecting benefits under the GSTC or the Canada Child Benefit must also remember to file by June 1 to ensure benefits are properly determined, and received, for 2020-21.

"Delayed filing means delayed refund and, if they owe, it is better to know sooner than later what you need to plan for in tax costs due, particularly knowing that you have extra time to pay this year," he says.

## **3. Speak with your bank**

Canada's six major banks—Royal Bank of Canada, TD Canada Trust, Scotiabank, [Bank of Montreal](#), [CIBC](#) and [National Bank of Canada](#)—are offering deferrals of mortgages for up to six months for certain customers. They are also providing relief on credit products, including loans and credit cards.

In addition to this, via the federal government's [Insured Mortgage Purchase Program](#), \$50 billion of insured mortgage pools will be purchased through the Canada Mortgage and Housing Corporation to ensure stable funding to banks and mortgage lenders to increase lending capacity to Canadian consumers and businesses and add liquidity to the mortgage market.

If you are considering accessing a loan, look for those with the lowest interest and most flexible terms, such as a line of credit, and avoid expensive [payday loans](#), Thompson recommends.

“If your income is already affected and you must borrow money, consider carefully interest rates and how you will pay back the loan,” she says. “The crisis will eventually be over. The challenge is not to create a financial black hole once we emerge on the other side of this.”

## 4. Manage your savings

You may need to tap into your emergency savings. If so, do so strategically, maximizing all income sources first, establishing a more stringent budget and tapping into savings from there. Start with cash and TFSAs, since there are no tax implications. Whether to tap into RRSPs or non-registered tax investments will depend on your individual tax situation.

“It may depend on your asset allocation within your investment accounts, your income for the year or other factors. But this ordering is a good guideline,” says certified financial planner Jason Heath, Managing Director of Objective Financial Partners, Inc.

Alternatively, if you’re able, continue contributing to savings, adds Thompson. Ideally, you want to have three to six months of savings to help you coast through this trying time. “If you are [still] employed, prioritize saving after your necessary expenses, such as housing, food and utilities, are covered. This will provide some buffer should your job become affected,” says Thompson.

## 5. Maximize relief efforts

Hydro providers, such as [Toronto Hydro](#) and [B.C. Hydro](#), have programs—including lower rates, deferred payments and flexible payment plans—to assist residents and businesses experiencing financial hardship. They are also extending the suspension of electricity disconnection and non-emergency planned outages, or cancelling them altogether.

Telecommunication providers, such as Bell, Rogers and Telus, have removed data caps on internet and data plans, waived cross-country long distance and international roaming fees. They are also offering flexible payment plans and free channel previews, as well as not suspending services for those unable to pay bills.

For those with travel bookings, some airlines, travel companies and hotels—including [Air Canada](#) and [Airbnb](#)—are providing credits, refunds on service fees or, in some cases, full refunds.

Finally, determine what additional bills you can eliminate. These may include subscription fees to digital services or retailers, monthly donations and credit cards that you don’t need or use.

While working through this, it’s important to keep a clear mind and assess exactly what your financial position is compared to where it was before the pandemic hit and where it could end up down the line, advises Thompson.

“After health and family, finances will be the biggest concern for many Canadians and, as time draws on, will become even more stressful,” says Thompson. “For the time being, be calm, understand where you are right now and prepare for what may come.”