



## CRA Stimulus: Could \$2,000 CERB Payments Become Permanent?

### Description

An unprecedented crisis has compelled the Canadian government to make an unprecedented move. The Canadian Revenue Agency is now offering up to \$2,000 in direct payments to those who've lost their jobs due to the COVID-19 pandemic.

This program, known as the Canada Emergency Response Benefit (CERB), has put a floor under millions of families across the nation and avoided unimaginable economic distress. Recently, the plan was extended to August 2020. Now, some experts argue the payments should be made permanent.

### Permanent universal basic income

Professional investors and academic experts argue that recovering from the current downturn could take years. Social-distancing measures could linger until we reach herd immunity or find a vaccine. Meanwhile, consumer confidence and business investment may not reach pre-crisis levels for half a decade or more.

Member of Parliament Jagmeet Singh called on the government to convert the current CERB payment program into [permanent universal basic income \(UBI\)](#). A similar proposal is being discussed south of the border, where former presidential candidate Andrew Yang proposed UBI.

For now, UBI doesn't seem likely. The prime minister rejected the idea and has called the CERB payment program "temporary." However, if the crisis worsens or the economic recovery takes longer than expected, the government could be compelled to rethink this stance.

Meanwhile, savvy Canadians can establish their own basic income.

### Create your own basic income

All Canadians qualify for at least some basic income when they retire. The Canadian Pension Plan (CPP) and Old Age Security (OAS) payments could offer nearly as much as the CERB payments.

However, the maximum OAS payment is \$613, while the average CPP payment is \$640. Together, these plans offer far less than the monthly \$2,000 CERB payments. Also, CERB payments reach workers of all ages, while retirement benefits can only be accessed later in life.

You can create your own basic income by investing in robust dividend stocks. Stocks like **Fortis** and **BCE** generate plenty of cash flow and are somewhat immune to economic cycles. In other words, they could offer reliable passive income over the long term.

BCE currently offers a 6% dividend yield. To generate \$2,000 a month, tax-free, you need to invest \$400,000 in the stock. Alternatively, you could combine the CPP and OAS (\$1,250 a month) payments with a \$150,000 investment in BCE stock or stocks that offer an average dividend yield of 6% (\$750 a month) to create the same result.

Of course, not everyone has access to hundreds of thousands in liquid capital. If you're still in wealth-creation mode, focus on technology stocks with sharp growth trajectories. Stocks like **Shopify** have delivered 3,000% in returns in just over five years. Finding the next Shopify isn't easy but is certainly worth trying.

## Bottom line

The government's CERB payments have placed a floor on the economy and avoided chaos. However, if the economic recovery takes longer than expected, the government may have to consider converting CERB payments into permanent UBI.

Meanwhile, investors can create their own basic income by combining pension plans with long-term dividend stock investments. Generating \$2,000 a month, tax-free and work-free, is completely practical today.

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