CRA's CERB Will Expire: Here's How to Create a $1,000/Month TFSA Income Stream to Last a Lifetime

Description

The CRA's Canada Emergency Response Benefit (CERB) program is helping affected Canadians make it through this pandemic. The coronavirus disease 2019 (COVID-19) has decimated many small businesses and has wreaked havoc on major sectors of the Canadian economy.

Canada has suffered an unprecedented rise in unemployment. As the economy gradually reopens in phases, with things slowly, but surely returning to normalcy, many workers may not be returning back to work as quickly as some optimists believe.

Many employers are shutting their doors for good after the first wave of coronavirus lockdowns, and the CRA's CERB payments may not last long enough for many who require more time to find work.

CRA payments like the CERB will expire — your TFSA income stream won't

CRA payments, including the CRA's CERB, will eventually expire (eligible Canadians can only receive CRA's CERB for up to 16 weeks), and Canadian investors who haven't regained their employment will be in a tough spot.

If you're one of many affected Canadians who's fortunate enough to have built up a Tax-Free Savings Account (TFSA) nest egg over the years, now is as good a time as any to transform it into a tax-free income stream that can pay you monthly.

If you were of age when the TFSA came to be just over a decade ago, and have been making regular contributions while using the proceeds to invest systematically in the stock market (assuming around a 10% annual return), you might find yourself sitting on a sum of around $135,000 today.

With a 9%-yielder on $135,000 in TFSA principal, you'd be able to create your own $1,000/monthTFSA income stream that, unlike the CRA's CERB, won't be subject to taxation.

Even as a youngster, you should feel no shame in converting your growth-oriented TFSA portfolio into an income-oriented one to cover monthly living expenses, at least until you're able to find your financial footing again.

While a 9% yield may seem like you're reaching too far for yield and are putting yourself at risk of a significant dividend reduction, there are compelling options that exist in today's battered market now that the yield bar has been raised.

Moreover, there are specialty income options available for those who want an extra income jolt without putting themselves at greater risk of downside.

A specialty income ETF can give you a monthly income jolt

Consider shares of the **BMO High Dividend Covered Call Equity ETF** (TSX:ZWC), a specialty-income ETF that I've been touting for income-oriented investors who want a higher yield.

The ZWC sports a 9% yield at the time of writing. The ZWC is composed of high-yield Canadian stocks that have been hand-picked not only for their sizeable yields, but also for the sustainability and growth potential of the dividend under question.

With the covered call strategy thrown in, which trades upside potential in stocks that the ZWC owns for premium income upfront, the ZWC is one of the safest 9% yielding plays you're likely to find.

You'll pay a relatively high MER of 0.72% for the ZWC and its labour-intensive covered call strategy' but if you seek big and sustainable income to get you through these unprecedented times, the price of admission into the ETF, I believe, is more than worthwhile.

Foolish takeaway

The CRA's CERB payments aren't going to last forever. A TFSA income stream you've carefully constructed yourself can.

For the affected Canadians who've been using their TFSAs to invest over the years, they may not realize that they have the power to supplement their income by using their TFSA funds to invest in a one-stop-shop specialty income ETF like the ZWC.

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