



Should You Invest Your \$2,000 CERB Payment?

Description

The Canadian government has brought much-needed relief to its citizens through a \$2,000 direct cash infusion known as the Canada Response Emergency Benefit, or CERB for short. The program is designed to assist residents who are out of work as a result of the coronavirus pandemic.

Eligibility requirements are straightforward. According to the *Financial Post*, CERB payments “are available to workers, residing in Canada, who are at least 15 years of age, have not quit their job voluntarily, and who have stopped working because of reasons related to COVID-19.”

You don't need to be formally laid off. As long as your work has been interrupted, you're likely [eligible](#).

Earlier this month, the government approved the third monthly installment. The results have been impressive. More than 11 million applications have been filed, with over \$30 billion paid out.

According to the Canada Revenue Agency, the online application takes only a few minutes, with most applicants receiving their CERB payment within three days. With a sudden influx of cash, many Canadians are wondering if they should *invest* the windfall. Is that a prudent decision?

Should you invest your CERB payment?

The vast majority of Canadians are using their cash payments to meet daily expenses such as rent, food, and transportation. This, after all, is the purpose of the program. With the \$2,000 cash lifeline, many residents are able to keep their lives intact without major disruption.

But what if, after meeting your daily expenses, you still have some money left over? In this case, it could be a great opportunity to invest, but that doesn't necessarily mean putting money into the stock market. Instead, you should invest in your *emergency fund*.

Emergency funds are recommended by nearly every financial expert, yet the reality is that few people actually build one. Spending money is easy. Buying stocks can be thrilling. But piling money into a bank account on the off-chance something terrible happens? That's not as fun.

The COVID-19 crisis is a perfect reminder that strange, exogenous events happen that can threaten, even the most responsible citizens. The \$2,000 CERB payments are a great opportunity to initiate or grow your emergency fund.

How much should you be saving? At a minimum, aim for three months of living expenses. Make sure that this estimate is an honest figure. Include every expense you're likely to incur. The best emergency funds cover six months of expenses, not only for yourself, but your entire family.

Don't neglect your portfolio

If you're lucky, you may have some CERB funds left over *after* building a six-month emergency fund. Even if the remainder totals \$50, it could be wise to invest that amount. Building [long-term wealth](#) requires consistent contributions, no matter how small.

Don't think \$50 can build sizable wealth? If you invest \$50 per month and earn 10% annual returns, you'll wind up with \$10,000 after a decade. After 20 years, you'll have nearly \$40,000. After 30 years, you'll have a nest egg greater than \$100,000. All this from a measly \$50 monthly contribution.

Use your CERB payments wisely. Meet all your basic living expenses first. Then shore up your emergency fund to insulate yourself from further economic shocks. If you're fortunate enough to still have money left over, consider stashing the money away for long-term gain by buying cheap stocks.

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