CRA'S CERB Isn't Enough? The TFSA Comes to Your Rescue

Description

Millions of Canadians have lost their jobs due to the COVID-19 lockdowns and have to face a loss of income. The government has put in place the Canada Emergency Response Benefit (CERB), which gives $2,000 for 16 weeks to Canadians who have lost their jobs due to the pandemic or earn only $1,000 per month. While this financial aid is useful, it might not be enough for many Canadians. The $2,000 is taxable, and you need something else if you still need money after the 16 weeks. That's when your TFSA comes in handy.

You can use your TFSA for both growth and income

When you lose your job and need money fast, the TFSA becomes your best friend. Indeed, you can withdraw money from your TFSA whenever you want.

The big plus as compared to other investment accounts is that you don't have to pay any taxes or penalties on the money you withdraw. That means if you withdraw $2,000 from your TFSA, you'll really have $2,000 in your pocket.

When you're working and don't need money from your TSFA, it's best to buy growth stocks like **Shopify** to make your money grow faster. Shopify has a five-year CAGR close to 100% and has doubled in value since the start of 2020. If you have invested $10,000 in Shopify five years ago, you would have about $300,000. And it's free of taxes if you'd bought it in your TFSA.

But when you lose your job and need money, you might want to sell a portion of your growth stocks to buy dividend stocks to provide you with regular income.

Russel Metals is an interesting choice for investors seeking income. This metal distribution company pays a quarterly dividend of $0.38 per share, or $1.52 annually. As the stock is currently trading around $15 per share, the dividend yield is 10%. If you buy 5,000 shares of Russell, you would receive $7,600 per year, or around $630 every quarter. This is a nice extra income that would help you compensate for a loss of income.

Here’s a solid monthly dividend stock

If you prefer to have a monthly income, you will be interested in **Slate Retail REIT** (TSX:SRT.UN). Slate pays a monthly dividend of $0.0101 per share, or $1.21 annually.

This REIT has one of the highest dividend yields among Canadian stocks, with a whopping 13% yield. If you buy 5,000 shares of Slate, you’ll get $360 per month. And this will be free of taxes if you buy the stock in your TFSA.

Slate will give you exposure to the U.S. real estate market, especially grocery-anchored real estate.

Indeed, 63% of the REIT’s tenant portfolio comprises essential tenants, including grocery-anchored tenants, medical and personal services, and financial institutions.

The COVID-19 pandemic hasn’t impacted the REIT that much, since all of the REIT’s grocery-anchored locations are open, with 75% of tenants operating.

The REIT is well positioned from a liquidity perspective to endure negative impacts as a result of COVID-19. Slate has collected 85% of April rents in cash.

Slate stock is very cheap, as its trailing P/E is only 9.3, while its five-year average P/E is 196. Shares are currently trading near $10.

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