

## Should You Invest Your CERB Payments in Stocks?

### Description

The Canada Emergency Response Benefit (CERB) is a commendable measure to prevent economic misery across Canada. The program offers \$500 a week for up to 16 weeks, effectively putting a floor under ordinary households and the millions of Canadians who've lost their jobs during this crisis.

The program is designed to help people meet essential needs. The amount is calibrated to match the cost of rent, food, and utilities in most parts of the country. However, some CERB recipients have used excess cash to buy non-essentials or invest in the stock market. Is it wrong to use CERB in this unintended way? Here's a closer look.

### Securing yourself

CERB is designed to provide temporary relief to ordinary citizens while the government enforces a shutdown. However, shutdown measures are now easing and it seems likely that CERB will eventually be pulled back or allowed to lapse. In other words, it was temporary security. Long-term security is still your responsibility.

With that in mind, it makes complete sense to save as much of the weekly CERB payment as possible. Creating a cash buffer will help you and your family mitigate the risk that your job or business has been permanently dissolved by this crisis.

Investing in stocks could magnify this security buffer further. If you invested just \$100 a week over the past two months from CERB into the stock market your assets would be worth 36% more by now (\$1,088 instead of \$800). That extra \$200 could meet expenses for another week post-CERB.

However, stocks are risky and there's simply no way to know if your investments will gain or lose value over time. To mitigate this risk, it's probably best to invest your excess CERB in [safe dividend stocks](#) or essential businesses such as **Fortis** or **Dollarama**.

### CERB is stimulus

The beauty of the CERB program is that it achieves more than simply protecting ordinary citizens from hardship. The program also stimulates the economy to prevent a domino effect later.

To understand this effect, it's important to remember that every dollar you spend is someone else's income. If you spend CERB money on a "non-essential" luxury such as takeaway food or investing in stocks, the money supports other Canadian jobs and businesses. Publicly listed companies can access the stock market to raise more funds and survive this crisis if enough people are willing to invest in them.

With that in mind, investing CERB payments in stocks is a way to secure yourself. It can also bolster the national economy.

## Bottom line

The CERB program aims to support essential spending. However, if you're fortunate enough to have low living expenses, investing excess cash is certainly a savvy move.

Wisely investing in robust dividend stocks and essential businesses will help you create a cash buffer. A sizeable cash buffer can replace CERB when the program runs its course. Meanwhile, stock investments allow Canadian corporations to survive the crisis, retain jobs, and access cheap capital. There's certainly a moral argument for using CERB in this way.

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vraisinghani

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