



## Canadians: Should You Apply for CERB or Get Re-Hired with CEWS?

### Description

In the COVID-19 era, there are two main programs for out of work Canadians to stay afloat: the CERB and the CEWS.

The CERB is a \$2,000 payment for every four-week period of unemployment; the CEWS is a 75% wage subsidy to encourage re-hiring. Both of these programs allow Canadians to get paid when businesses are reeling.

Under Canada Revenue Agency guidelines, you can't get CERB money and CEWS wages at the same time. This means that you have to choose one or the other. Which you choose could have a big impact on your financial future. The following are some considerations to take into account.

### Amount of possible compensation

The maximum amount of compensation you can receive under CEWS is far higher than with CERB.

CEWS wages can pay up to \$847 a week, while CERB is capped at \$500. That means that CEWS can pay over \$600 a month more than CERB.

However, there are some caveats here.

First, CEWS amounts vary, whereas CERB is the same for everyone. If you only earned \$400 a week before getting laid off, CEWS subsidies will pay only \$300. Your employer could choose to top up the remaining 25%, but that's ultimately optional. If you were only eligible for \$300 a week in CEWS wages, the CERB would pay you more.

Second, if your employer receives the CEWS, they may pay you *more* than the subsidy itself. If you hit the \$847 maximum amount of CEWS wages and your employer topped up the remaining 25%, you'd get \$1,129 a week — more than twice what CERB pays.

## Risk of the benefit being revoked

Where the CEWS really stands out is the safety of the money you receive from it. If you receive CERB but aren't eligible for it, the CRA could call you up later and demand the money back.

With CEWS, you face no liability as an employee. Your employer could get in trouble for making fraudulent CEWS claims, but you personally would not have to repay anything.

Another benefit of CEWS is that you're free to spend the money as you like. For example, if you're an investor, and you want to spend your CERB wages on an ETF like the **iShares S&P/TSX 60 Index Fund**, you're free to do that. After all, it's your money. Buying ETFs like XIU is as legitimate a use of it as any.

Doing something like that with CERB money could prove to be a mistake. The CERB was rolled out as a lifeline for Canadians in need. It was intended to be spent on food, rent, and other essentials. It wasn't meant to bankroll investments. As of right now, you probably wouldn't get in trouble for buying XIU or any other ETF with CERB money — but it could cause you trouble down the line.

Recently, the *CBC* ran a series of articles describing the CRA's plans to tackle [fraudulent CERB claims](#). They're not doing much now but likely will once the pandemic is over. If you get a call from the CRA and disclose that you spent your CERB money on stock market plays, while financing your lifestyle with other income, that probably won't go over well. You're technically allowed to invest CERB money, but doing so could make it look like you never needed it. So, you're better off financing investments with CEWS wages than CERB benefits.

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