How to Generate $2,000/Month After CRA's CERB Expires

Description

In order to help Canadians impacted by the COVID-19, the Government of Canada announced the Canada Emergency Response Benefit (CERB). The pandemic has led to countrywide lockdowns since March. As several businesses were shut, consumer demand plummeted and unemployment rates spiked to unprecedented levels.

Though the Canadian economy is reopening, it might take some time before consumer spending reaches pre-COVID-19 levels. Eligible Canadians who have lost income because of the coronavirus can receive $2,000 per month. However, the CERB is likely to be a temporary relief and is set to expire by October 3. For some individuals, the CERB might end as early as July 2020.

The CERB will provide several Canadians who do not have an emergency fund with some breathing space. But for people who have accumulated enough savings, there is a way to make the $2,000/month payout permanent. The COVID-19 pandemic has shown us how fickle the global economy can be. You need to have multiple revenue streams to lead a comfortable and stress-free life and investing in dividend-yielding ETFs is one way to achieve this goal.

This ETF has a yield of 5.56%

If you invest $435,000 in the **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF** (TSX:CDZ), the annual dividends will be $24,186, given the fund's forward yield of 5.56%. That works out to just over $2,000/month and is similar to the CERB payout.

The CDZ has a diversified exposure to quality Canadian dividend-paying firms. Its portfolio consists of companies that have increased dividends in each of the last five consecutive years. Further, these companies pay monthly dividends and reinvesting these payouts will help investors benefit from the power of compounding. The top three holdings of the CDZ are listed below and they account for close to 7.5% of the ETF.

TransAlta Renewables Inc. is the ETF's top holding. This stock is trading at a price of $14.68 which is 19% below its 52-week high. TransAlta is part of the high growth renewables industry and should be on the radar of most long-term investors. It has a forward yield of 6.4%.

Enbridge is Canada's energy giant and the second-largest company on the CDZ. Enbridge stock has lost momentum recently due to weakness in oil prices. However, the company generates over 90% of EBITDA from fee-based contracts, making it largely immune to commodity prices. Enbridge stock is trading 22% below its 52-week high and has a forward yield of 7.2%.

The third-largest holding for the CDZ is **Fiera Capital**, a stock that is down 26% from 52-week highs. Fiera is an asset management company and will be impacted by the current market volatility. Its dividend yield stands at a tasty 8.6% and is one of the several **TSX** stocks trading at a discount.

The Foolish takeaway

You can see that the above companies have a higher yield than the CDZ ETF. You need to invest $375,000 in TransAlta to secure a dividend payment of $2,000/month. The investment figure for Enbridge and Fiera stands lower at $335,000 and $280,000 respectively.

However, it is too risky too put all your eggs in one basket. The CDZ provides diversified exposure across sectors and remains an attractive bet given the recent pullback. This ETF has slumped close to 20% this year and investors stand to benefit from capital appreciation as well over the long-term.

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