Worried About Having to Pay Back Your $2,000/Month CERB Payments? Do This Right Now!

Description

While the Canada Emergency Response Benefit (CERB) payment may be paid out to everyone who applies for it, that doesn't mean the Canada Revenue Agency (CRA) won't come calling for those payments back if it finds out you've been ineligible for them.

At minimum, you may have to pay taxes on the CERB payments. For that reason, it's a good idea to not spend the entire CERB payment.

Instead, what may be a better option for CERB recipients is to invest that money, at least temporarily. Investing money into a stable dividend stock that's not likely to fluctuate much in value can be a great way to park your money while you find out whether you have to pay some or all of it back. In the meantime, you can earn some extra cash while you wait.

Invest in a top dividend stock for stable returns

Hydro One Limited (TSX:H) is a great example of a stock that pays a good dividend and can provide modest but safe returns. Even as the **TSX** has fallen 11% through the first five months of 2020, shares of Hydro One have risen by more than 6%.

What makes the Ontario-based utility stock an even more attractive buy is that it also pays a quarterly dividend. Currently, shareholders receive $0.2536 for every share of Hydro One that they own. If you were to buy the stock at a price of $26, that would equate to an annual yield of 3.9%.

On a $2,000 CERB payment, you could earn $78 in one year's time. And if the stock were to rise by 6%, that would be an additional $120 in capital gains. Combined, you could earn around $200 from dividend income and through capital appreciation.

If you were to put that investment inside a Tax-Free Savings Account (TFSA), the income also wouldn't be taxable, regardless of whether you earned it from a dividend or as a result of selling the stock for a profit after it had risen in value.

Whether you end up paying back some or all of the CERB back, you could earn an extra ~$2,00 that would be yours to keep from investing the money into Hydro One.

It's obviously not a risk-free return, as Hydro One shares did fall more than 15% during March's market crash. But it recovered since then and it's still a much safer investment than many other stocks out there.

The stock has a low beta, meaning that it generally isn't as volatile as the markets are, and that's an important factor to consider when selecting a dividend stock.

As you're mainly out to earn some recurring income, you'll appreciate being able to collect a dividend and not have to worry about rapidly moving stock prices.

Bottom line

Whether you have to pay back money as a result of the CERB, you can hedge your bets by investing the money into a dividend stock. Not only does it prevent you from spending all your CERB payment, but it can also potentially generate income for you.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:H (Hydro One Limited)

PARTNER-FEEDS

1. Business Insider
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