How Students Can Make Better Use of the $5,000 CRA Emergency Payment

Description

Through the Canada Revenue Agency (CRA), the government is offering $5,000 of COVID-19 relief money to students. The Canada Emergency Student Benefit (CESB) offers $1,250 per month between May and August. If you have dependents or a disability, you can receive $2,000 per month for a total of $8,000 instead.

The CESB may apply to (graduating) post-secondary students or graduating high school students.

This relief money is wonderful news for students who are enrolled in a post-secondary program but need money to pay for tuition. As well, it's a great relief for students who just graduated but couldn't find work due to the pandemic.

How to make better use of the CRA emergency payment

What if you already got your tuition money ready and have some savings down your belt?

Then, here's a way to make better use of the $5,000 or $8,000 — invest it for greater returns.

Remember that the CESB is a taxable benefit, so it would be awesome to be able to cover for that with your investment returns.

Investing is an awesome skill that can be applied through your life. The earlier you develop the knowledge and skill, the more rewarding it will be.

For example, conservative people would have their money saved in GICs for interest rates of about 2%. Maybe they'll also venture into government and corporate bonds for potentially higher returns.

However, stock market returns have historically outperformed other asset classes in the long run. For reference, the average stock market returns are 7% per year. If you choose individual stocks carefully, you can even beat that return!

For example, going for 10% total returns per year is not all that far-fetched. That would imply you can double your money every seven years or so, according to the rule of 72.

Investing in quality dividend stocks

You don't necessarily need to invest in dividend stocks to make good money. Nevertheless, it's good to start by investing in dividend stocks because they offer periodic returns no matter what the stock price does.

For example, in this COVID-19 triggered market crash, investors were more confident in dividend stocks that maintained (or even increased) their dividends, which helped investors hold their investments despite huge drawdowns in share prices.

Most importantly, companies, which have a strong track record of paying dividends, are typically profitable through economic cycles. These companies are likely to have a strong financial position to weather economic downturns.

For example, **Enbridge** (TSX:ENB)(NYSE:ENB) stock fell 38% from peak to trough this year. If you invested $5,000 at the peak, it would have declined to $3,100 at one point and you would have sat on paper losses of $1,900.

However, if you didn't sell, you would generate $0.81 per share every quarter from the safe dividend, equating to a yield of about 5.9%, or $294 a year.

Today, the stock offers a good discount and an even better yield of 7.5%. Yes, you read that right. Right off the bat, you can get more than the average market returns from ENB stock's dividend, which means any price appreciation will help you beat the market even more.

Enbridge's cash flow is expected to be unfazed by virus impacts. So, its dividend should remain intact.

Here are a couple more tips for new investors. Expect volatility in stocks. Focus on collecting passive income from growing dividends.

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