



Seniors: Not Eligible for CERB? You May Have \$500 in Tax-Free Income Headed Your Way

Description

There's been a lot of politics surrounding COVID-19 emergency payments. Currently, there are payments for people who have lost their jobs, students, as well as aid for employers to help pay a portion of wages. Seniors, unless they were working and were laid off due to the pandemic, however, wouldn't have a COVID-19 payment dedicated to them. That is, until now.

The government recently announced that seniors could be eligible for a tax-free payment of up to \$500. If you're eligible for Old Age Security (OAS), then you'll receive \$300. And if you're also eligible for the Guaranteed Income Supplement, then that's another \$200. There's no application process involved. The government will determine eligibility in June and seniors who are eligible should expect to receive the payments in July.

Unlike the Canada Emergency Response Benefit (CERB), however, the government's stated that this is a one-time payment to help with COVID-19. Seniors also don't have to worry about holding back [taxes](#), as the payments are not taxable.

Make the most of the tax-free income — invest it!

If you receive the \$500 and don't need it to pay your bills or use it for other pressing financial needs, a great option may be to invest the money.

Consider investing in a blue-chip dividend stock like **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). It's a safe place to store your money, and it pays you a dividend every quarter. It's a good choice for investors who don't want to risk their money but still want to make some extra cash. Shareholders of RBC currently receive quarterly dividend payments of \$1.08. If you buy the stock at around \$95, then that means you'd be earning a dividend yield of about 4.5% per year.

If you could combine that \$500 with other savings that you have, there's the potential to earn a great recurring payout from the bank stock. Suppose you could pool \$1,000 and buy RBC stock. That would

generate \$45 a year in dividend income for your portfolio. And if that investment's inside of a Tax-Free Savings Account, then you won't have to pay income tax on that [dividend income](#). Investing \$5,000 in RBC would produce annual dividends of \$225. And if you had \$10,000 to invest, then you could earn \$450 every year.

Even if you don't have much in savings, now could be a great opportunity to start putting some money aside. All that incremental saving can quickly add up and put you in a position where you can make a more sizable investment and earn meaningful dividend income.

OAS and Canada Pension Plan payments may not be enough to get by, and any extra income you can generate can be a good way to narrow that gap and make for a more enjoyable retirement. While the COVID-19 relief payment may be just a one-time payment right now, there's no telling how long the pandemic will last, and the government may be inclined to issue more payments in the future.

CATEGORY

1. Bank Stocks
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3. Dividend Stocks
4. Investing

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