



The CERB Won't Last Forever, But This \$2,000/Month Will!

Description

The \$2,000 per month payment from the Canadian Emergency Response Benefit (CERB) has been a huge help to Canadians affected by the pandemic crisis. Considering the CERB is set to expire on October 3, 2020, I want to discuss how investors can actually start building their own CERB-like income program.

The CERB rollout has been confusing

Frankly, the rollout of CERB has been a confusing and somewhat complicated process for some Canadians. Unfortunately, some people have abused the CERB benefit. Now, CRA is starting to tighten surveillance. In fact, [CBC recently reported](#) that 190,000 payments have already had to be returned to the Canada Revenue Agency (CRA).

The point is, if you start investing now, you may never need to rely on a complicated CRA program again. If you have some available cash, then now is a great time to build your own CERB-like \$2,000-per-month income program. Unlike the CERB, this income stream could grow and last through your entire lifetime.

Realistically build an income portfolio that outlasts the CERB

Here is one model scenario that could help you build that portfolio.

In this scenario you start with \$50,000 of investable cash. By investable cash, I mean cash that you can afford to have tied up in the stock market for a long time. Then, invest in five or 10 good-quality stocks that yield around 5%.

If you combine the dividend and say a very conservative 3% average stock price appreciation (high-quality stocks will probably do better), you could average an annual return on investment (ROI) of around 8%. Then commit to investing \$500 per month into this portfolio and reinvest all your dividends.

If you stay committed to the process, you could build a portfolio worth around \$550,000 in 20 years or less. This portfolio could easily yield you \$2,000 or more in average monthly income.

Of course, these are very basic projections. The point is, if you start now, you can realistically compound your wealth and build your own \$2,000 per month CERB income stream! Today, [many good-quality income-stocks](#) are trading on sale, so now is a great time to start building your personal CERB-like portfolio.

Enbridge is a perfect income-portfolio investment

One stock that is particularly attractive is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). It is North America's largest pipeline company with a portfolio of oil and natural gas pipelines, natural gas utilities, and even renewable power assets.

The great thing about Enbridge is that 98% of its cash flows are regulated or contracted. It is a toll road for the North American energy industry, and it has limited commodity-pricing risk.

Likewise, it has limited counter-party risk, because 95% of its customers have investment or government grade credit ratings. Although Enbridge has a reasonable amount of debt, it is investing heavily in infrastructure. These investments are expected to pay off with 5-7% free cash flow growth in 2021 and beyond.

While Enbridge pays a quarterly dividend, it is yielding 7.82% right now. That combined with 5% free cash flow growth, makes for a 13% annual ROI. That is even better than my CERB investment model scenario!

Banks, REITs, and utilities pay steady, safe income

Another great investment for your CERB portfolio is **Toronto-Dominion Bank**. It is one of Canada's largest and strongest banks. It is paying a nice 5.3% dividend. While that dividend will probably not grow this year, TD has a strong history of dividend growth. As the pandemic subsides, growth should resume nicely.

Another solid stock is **WPT Industrial REIT**. It is 100% located in the United States. WPT has a high-quality portfolio of industrial and logistics properties that will benefit from the growing e-commerce trend. It pays a 6% dividend.

TransAlta Renewables and **AltaGas** are two other interesting utility stocks. They pay 6.75% and 6.6% dividends, respectively. TransAlta is benefiting from the green energy movement, and AltaGas has a growing gas utility business in the United States. Both pay well-covered dividends and have steady growth upside over the next five years.

Any of these stocks would make a great foundation for your CERB-like income portfolio. The point is, get time on your side and start building it today!

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Author

robbybrown

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