Canada Revenue Agency: How to Create Your Own CERB for a Lifetime

Description

The Canada Revenue Agency announced the Canada Emergency Response Benefit (CERB) in April at the onset of the pandemic-driven economic downturn. Canadians who have lost jobs amid the pandemic are eligible to receive $2,000 for four weeks under CERB. The benefit can be extended for up to 16 weeks.

As per the latest data, more than eight million Canadians have applied for the CERB so far, well beyond expectations. Although many provinces are re-opening gradually, people are struggling to find jobs, and thus, CERB will likely be extended.

Canada Revenue Agency and CERB

However, the government aid will not last for a lifetime. But you can generate a passive-income stream with high-quality dividend stocks, which will act like emergency benefits for your sunset years. Interestingly, you don't need to have a large fortune up front. Disciplined investing and a decent time for compounding will be enough.

Canadians who are still working and have time before they retire can build a passive-income stream instead of relying solely on government aid in later years.

An investment of, say, $6,000 per year in a diversified, safe stock portfolio would create a handsome sum of approximately $350,000 in 20 years' time. A higher investment amount per year should take a shorter time to create a similar reserve.

The TFSA (Tax-Free Savings Account) is more preferred for such a long-term investment, as the dividend and capital gains will be tax-free at the time of withdrawal. Investors should note that the TFSA contribution limit for 2020 is $6,000.

A $350,000 in a 7%-yielding stock would pay more than $24,000 per year for a lifetime. This passive-income stream will also help avoid having to depend on last-minute options like the CERB.

Dividend-paying TSX stocks

Top energy midstream company **Enbridge** (TSX:ENB)(NYSE:ENB) is a classic example of a stable, 7%-yielding stock for long-term investors.

Enbridge is a fundamentally sound company primarily due to its stable earnings. It generates a major portion of its cash flows from long-term, fixed-fee contracts. Interestingly, it does not have a direct exposure to volatile oil prices, which makes it a comparatively safe bet.

Enbridge has increased dividends for the last 25 consecutive years and has notably outperformed the **TSX Index** in all these years.

Apart from its juicy yield, Enbridge's dividend growth was also superior in the last several years. If it follows the historical dividend growth for the future, passive income generated with Enbridge will increase notably each year.

A high-yielding stock would create a much higher income every year. For example, **Brookfield Property Partners** stock offers a dividend yield of more than 12% at the moment. A $350,000 in this stock would generate approximately $42,000 in dividends per year.

However, I think Enbridge has a lower but safer dividend yield compared to Brookfield Property Partners. Enbridge's earnings and dividend stability are more fitting to create a passive-income stream for sunset years.

Luckily, Canadians have many options that pay such consistent dividends. Investors should diversify with those to generate stable, long-term returns.

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