CERB: How TFSA Investors Can Supplement Their Income as CRA Benefits Expire

Description

Canada Revenue Agency (CRA) payments, such as the Canada Emergency Relief Benefit (CERB), aren't going to last forever.

In fact, they're due to end for millions of vulnerable Canadians this July. Many affected Canadians have yet to get back to work and will find themselves unable to pay the bills in less than a month. While talks of a CERB extension are on the table at the time of writing, the worries of many Canadians are mounting as the days go by.

If you're one of the earlier applicants with no income solution for July, there may be relief to be had from your Tax-Free Savings Account (TFSA) nest egg. If you've yet to break it open, you can turn your TFSA into a tax-free income stream that, unlike CRA benefits, are free from taxation.

Your TFSA nest egg to the rescue as CERB expires?

Unless you're one of the disciplined Canadians who've been socking away the maximum TFSA contribution every single year while using the proceeds to systematically invest in high-quality stocks, it's unlikely that your TFSA income stream will be able to meet your monthly costs of living. But it can help you supplement your income, as CERB expires.

Let's say you're one of many Canadians that find themselves sitting on a bit of savings in a TFSA. With interest rates as low as they are, funds sitting in those TFSA "high-interest" savings accounts are essentially collecting dust and losing purchasing power over time.

Excess cash in your TFSA is making negligible amounts of interest and could be put to better use in more bountiful income-generating securities, including specialty-income ETFs, as I highlighted in a prior piece. Rotating funds into such names can help you get a sustained monthly income jolt without having to dig substantially into your savings and run the risk of running out of money amid the pandemic.

A specialty income play to help you supplement your income as the CERB ends

Consider creating an 8-9%-yielding income stream for yourself with a one-stop-shop ETF like the **BMO Covered Call Utilities ETF** (TSX:ZWU).

The ZWU owns long positions in a wide range of high-quality, high-yield utility stocks primarily from Canada and the United States. The "covered call" part of the ETF introduces another layer of income on top of the dividends aggregated from the ETF's long positions at the cost of "capped" upside.

While limiting your capital gains potential may seem like a foolish (that's a lower-case *f*) move, especially for a younger TFSA investor, the trade-off may make sense given today's circumstances for those who need significant monthly income today and are willing to sacrifice near- to medium-term upside while paying a higher management expense ratio (MER) to do so.

Foolish takeaway

With a 0.72% MER, a specialty income play like the ZWU isn't cheap, but it's certainly not expensive compared to most other income-focused mutual funds or ETFs out there. As such, Canadians who desperately need to supplement their income should feel no shame in rotating funds out of low-yield growth securities or low-coupon bonds, cash, or cash equivalents, and into such plays as the ZWU.

Depending on how much you've got in your TFSA, the income provided by the ZWU may be enough to help you meet some bills as they come due.

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