



## CERB Isn't Enough? Buy Dividend Stocks to Get More Passive Income

### Description

If you lost your job because of the COVID-19, you've probably applied for the Canada Emergency Response Benefit (CERB). This aid will you \$2,000 for a four-week period (\$500 per week). Initially, you could claim the CERB for up to a maximum of four periods (16 weeks total) between March 15 and October 3. Prime Minister Justin Trudeau said Tuesday that the benefit will be extended by eight weeks.

### Your CERB money is taxable

It's important to know that the CERB payments are taxable. You will have to pay tax on the amount you receive when you file your next tax return in 2021. The amount of tax you owe will depend on your total income for 2020 and your marginal tax rate for the year. You therefore need to keep money aside so you have enough to pay your tax.

You can use an [online tax calculator](#) to get your marginal tax rate. For example, if you estimate that you're going to earn \$50,000 in 2020 and live in Ontario, your marginal tax rate is 29.65%. So, you'll need to set aside \$593 for each \$2,000 payment you receive, leaving you will just \$1,407 in your pockets. This is [probably not enough](#) to cover all your expenses.

### Dividends are a good supplement to the CERB

A good way to earn more income is to buy dividend stocks. Even better, if you buy dividend stocks in a Tax-Free Savings Account (TFSA), you won't get taxed on the dividends you earn.

You can still get the CERB if you receive dividends. If you're working, you can't earn more than \$1,000 to be eligible for the CERB. But there's no limit on the amount of dividends you can receive.

Here's a way to receive \$10,000 per year tax-free (or \$833 per month) in dividends with a \$100,000 TFSA.

If you buy equal amounts of **Brookfield Property Partners**, **Alaris Royalty**, **Chemtrade Logistics**, **Pason Systems**, and **Russel Metals**, your TFSA will have an average dividend yield of 10%.

It's best to buy five stocks rather than only one stock because that gives you diversification and lowers the risk. Plus, these five high-yield stocks are in five different sectors.

Brookfield Property Partners is in the real estate services sector, Alaris Royalty is a conglomerate, Chemtrade Logistics is a specialty chemicals company, Pason Systems is an oil and gas stock, while Russel Metals is in the industrial distribution sector. Brookfield, Pason, and Russel pay their dividend quarterly, while Alaris and Chemtrade pay dividends every month.

## You can switch to growth stocks when you don't need income anymore

Dividend income will help you to pay your bills during the pandemic. But when you find a job that pays you enough to cover your expenses, you probably won't need to receive dividends. When this happens, you can simply sell your dividend stocks to buy stocks that will make your capital grow.

Tech stocks like **Shopify** and **Kinaxis** have performed particularly well lately, so you might want to look into these. By buying these stocks in your TFSA, you won't have to pay taxes on your capital gains, so your money will grow faster.

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