



## CRA's CERB Has Been Extended 8 Weeks: Then What?

### Description

The CRA's CERB (Canada Emergency Response Benefit) will be extended for eligible Canadians who've yet to return to work after Canada's recent partial reopening of the economy.

However, with the likelihood that many laid-off and furloughed workers may not have anything to return to at the end of the day, many vulnerable Canadians are going to be in a tough spot, as the Feds look to get people off CERB and back to work amid this recessionary environment.

### Looking beyond the CRA's CERB

The [economic shock](#) brought forth by the COVID-19 pandemic is [unprecedented](#). While some bulls are pointing to a quick economic recovery whereby most folks will re-gain their employment once the coronavirus is more effectively contained, the reality of the situation is that nobody knows what's going to happen and that it's plausible that a bear-case scenario (a second severe resurgence) could pan out, putting more small- and medium-sized firms at the brink.

The CRA's CERB may or may not be extended again. With some CERB recipients reportedly receiving smaller amounts, it's also plausible that long-term benefits may be reduced, if not eliminated at some point down the road. Given the CERB is a lifeline for many Canadians, such a thought is horrific, but for those with some savings, there is hope with dividend-paying securities that'll allow one to supplement their income.

### Investing in the ridiculously volatile stock market in a pandemic

The stock market isn't the economy. Massive businesses that view the pandemic as a tailwind comprise an enormous chunk of the **S&P 500**. Small- and medium-sized businesses (SMBs) have taken a brunt of the damage, and their damages aren't properly reflected in a broader large-cap-focused index such as the S&P 500 or **TSX Index**.

With the unprecedented rise of unemployment, there's a chance that the SMB shock could change

consumer behaviour that'll spread to even the most resilient mega-caps. But, for now, the CERB is serving to curb such an economic catastrophe.

With central-bank-backing, the bluest of blue chips remain investable for those seeking a sustainable income supplement. Consider shares of a specialty income ETF such as **BMO High Dividend Covered Call Canadian Equity ETF** ([TSX:ZWC](#)), which has the safest 9% yield you're likely to come across.

## CERB users seeking a monthly income supplement ought to consider income ETFs like ZWC

The specialty income ETF owns long positions across a wide range of TSX-traded, dividend-paying securities, with an added layer of premium income generated from the writing of call options (covered calls). Unlike the TSX Index, which, quite frankly, stinks as an investment on its own, the ZWC is better diversified, providing exposure beyond just financials, energy, and materials.

Here's the ZWC sector exposure breakdown: 32% financials, 21% energy (mainly bountiful pipelines), 16% communication services (telecoms), 8% consumer cyclicals, 8% utilities, and 16% other sectors. While the income generated by the ZWC is technically "safer" than most other 9% yielders out there, the added layer of income from covered calls come at the cost of upside potential.

## One of the safest 9% yields you'll come across

For the premium income upfront, you're effectively capping your upside, which is a bad bet over the long term since the market tends to go up over prolonged periods of time. With a slightly high 0.72% MER (it's high for an ETF, but low compared to most actively managed mutual funds out there), you're also paying up for the specialty-income ETF that may not make the most sense for younger investors looking to build wealth.

But if you seek more bountiful, sustainable income, the ZWC is a bet that's well worth the price of admission. You'd be hard-pressed to find a 9%-yielding dividend that isn't just waiting to be taken to the chopping block. So, if you're a CERB user with some savings who needs an income supplement, the ZWC is a one-stop-shop bet that makes a tonne of sense.

## Foolish takeaway

The CRA's CERB isn't going to last forever. The income produced by the ZWC will, as long as you hold onto shares through the ups and downs.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Stocks for Beginners

## TICKERS GLOBAL

1. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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