



Canada Revenue Agency CERB Extension: How to Earn a Total of \$7,645 Tax-Free When CERB Ends

Description

The Canada Emergency Response Benefit (CERB) extension gives eligible Canadians an additional eight weeks of financial support.

This brings the CERB total to a maximum of six eligible periods. That's 24 weeks at \$500 per week for a total of \$12,000.

Who can get CERB?

Canadian residents aged 15 and older can apply if they have stopped or will stop working due to COVID-19 or will see hours reduced to the point where they earn less than \$1,000 for a period of four weeks. To qualify, a person must have earned at least \$5,000 in the past 12 months or in 2019. There are a few other requirements listed on the government's CERB information page, but this covers the basics.

When do CERB payments end?

The CERB extension means the last period will be August 30 to September 26, 2020. A person can only apply for a maximum of six out of the seven total CERB periods announced since the beginning of the program.

How to earn \$7,645 tax-free

CERB eligibility ends when a person goes back to work and earns more than the minimum \$1,000 threshold. People are now searching for ways to set up their own emergency fund to ensure they can ride out the next crisis.

One popular strategy involves using a Tax-Free Savings Account (TFSA) to create a steady income

stream.

In the current market conditions, a portfolio of top dividend stocks held inside a [TFSA](#) can generate an average yield of 5-7%. The cumulative TFSA contribution limit is now as high as \$69,500 per person.

A couple would therefore have room to invest \$139,000. At an average yield of 5.5% that would generate \$7,645 per year tax-free!

Top dividend stocks

The best [dividend stocks](#) have long track records of dividend increases supported by rising revenue and profits. They also tend to be leaders in their respective industries and provide essential products or services.

Let's take a look at two that might be interesting picks to start a TFSA emergency fund.

BCE

BCE is Canada's largest communications company. Retirees and income investors like the stock for its reliable payouts and its recession-resistant business.

The company generates strong free cash flow to support the dividend and has the power to raise prices when it needs additional funds. The stock appears cheap right now and offers a 6% dividend yield.

TC Energy

TC Energy is an energy infrastructure giant with \$100 billion in assets. The firm is best known for its natural gas pipelines, gas storage, and power-generation businesses.

The company's large development program should support steady revenue and cash flow growth. TC Energy plans to raise the dividend by 8-10% in 2021 and by 5-7% in the following years. The dividend currently provides a 5.7% yield.

The bottom line

Setting up a personal emergency fund makes sense to help us survive the new normal. It might take time to get the fund to the TFSA maximum level, but small contributions each year add up quickly. When dividends are reinvested in new stock, the power of compounding can turn a small initial investment into a significant safety net over time.

The **TSX Index** is home to several top dividend stocks with reliable payouts that should continue to grow. The correction in the market this year means many of these great companies now trade at very attractive prices.

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Date

2025/07/28

Date Created

2020/07/09

Author

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