



## CRA Cash: Is Your CERB Money Here to Stay?

### Description

For many Canadians, the CERB has been a vital lifeline during the COVID-19 crisis. Paying \$2,000 pre-tax per month, it's gone a long way toward paying many peoples' bills. In many cases, the CERB has paid Canadians much more than EI would have under the same circumstances. Now, some are hoping that the benefit will become permanent.

For years, a growing chorus of public figures has been advocating a policy known as "Universal Basic Income" (UBI). Essentially, UBI is a monthly cash transfer to help recipients stay afloat financially [no matter how much they earn](#).

In Canada, some hope that the CERB will become permanent and transform into a type of UBI. On July 9, the CBC reported on a Queen's University Researcher who had been involved in advocating for UBI. The researcher said that it would be "rational" to turn the CERB into a permanent form of basic income. The CBC article went on to say that the federal government was "exploring" a six-month UBI experiment.

Interesting stuff. But will it work?

## The argument for making the CERB permanent

The first thing to note about the CERB is that it would not be UBI even if it were made permanent. Most UBI advocates call for a [fixed transfer to everyone regardless of income level](#). The CERB is income-tested, so it doesn't meet that definition.

You could argue that if CERB were made permanent, it would be form of "quasi UBI," but the program is more similar to EI than anything else. Similar to EI, the CERB requires you to be laid off or have your earnings reduced before you receive it. It differs from EI in that you don't have to pay into it, and it's not based on a percentage of prior earnings, but it's pretty close.

## Why it probably won't become permanent

As of right now, the CERB is unlikely to become permanent, as the program has been unbelievably expensive. Thus far, the CERB has paid out \$54 billion and it's only been in operation since April.

On an annualized basis, assuming the same number of people receive it, you'd be looking at a \$200 billion program. That's more than half of the federal government's entire 2019 budget!

Of course, as the economy comes back to life, fewer and fewer people will get CERB. But any proposal that involved turning the CERB into UBI would require giving it to everyone, which would come at a prohibitive cost.

## A genuine example of passive income

As of right now, it's unwise to bet on a future where you're getting the CERB forever. The program is just too costly to assume it'll stick around long term.

But that doesn't mean that you can't get passive income, however. If you have savings, you can invest in ETFs like the **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)), and get a passive income stream that will last for decades. With \$100,000 invested in XIU, you'd get over \$3,000 in dividends each year.

On a monthly basis, that's less than you'd get from the CERB, but unlike the CERB, this passive income stream won't expire.

Also, investments can grow over time. If you get your position in a 3% yielding fund like XIU up to a million, you could earn more than what CERB pays out—permanently!

Of course, that assumes no dividend cuts, which isn't guaranteed. But it just goes to show that you don't need CERB or UBI to get a passive income stream rolling.

### CATEGORY

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