Beyond CRA's CERB: How to Generate a Permanent Monthly Payout

Description

The Canada Emergency Response Benefit (CERB) provides financial support to employed and self-employed Canadians directly impacted by the COVID-19. If you are eligible for the CERB, you can receive $2,000 for a four-week period up to a period of 24 weeks, up from the earlier 16-week period.

The Canada Revenue Agency (CRA) has disbursed CERB payments to millions of unemployed Canadians. According to official data, the CRA disbursed $42 billion in CERB payments until June 3, 2020. Canada extended the CERB by eight weeks, and the country's Parliamentary Budget Officer expects an additional $17.9 billion to be spent by the Federal government due to the extension.

However, if you are lucky enough to retain employment and have enough savings, you can generate a passive stream of income by investing in dividend stocks. While there are many Canadian companies that pay dividends, you need to identify stocks that have strong balance sheets, robust cash flows, and stellar history of increasing dividend payouts.

Canadian banks are a good bet

Canada's banking giants have underperformed the broader markets amid the coronavirus sell-off. Rising unemployment rates and the risk of defaults have kept investors worried. However, the pullback has also increased dividend yields to attractive levels. Below are Canada's top banks with their respective dividend yields.

- **Royal Bank of Canada**: 4.6%
- **Toronto-Dominion Bank**: 5.2%
- **Bank of Nova Scotia**: 6.4%
- **Bank of Montreal**: 5.7%
- **Canadian Imperial Bank of Commerce**: 6.3%
- **National Bank of Canada**: 4.6%

Canada’s pipeline stocks

Another beaten-down sector is the energy one due to lower demand and falling oil prices. However, pipeline stocks are somewhat immune to commodity prices, making them attractive bets, especially if oil demand surges in the second half of 2020. A few quality pipeline stocks are

- **Enbridge**: 7.8%
- **Pembina Pipeline**: 7.4%
- **TC Energy**: 5.5%

Renewable energy companies

Renewable energy companies are a solid bet for the upcoming decade due to their expanding addressable markets. These companies also provide essential services that generate a stable stream of revenue, making dividend cuts unlikely, even during an economic downturn. You can invest in stocks such as

- **TransAlta Renewables**: 6.6%
- **Innergex Renewables**: 3.6%
- **Algonquin Utilities**: 4.6%

Utility and telecom companies

Similar to renewables, utilities and telecom companies also provide essential services. These companies are defensive picks, and shareholders will benefit from a predictable income stream. You can expand your portfolio to include stocks like

- **Fortis**: 3.6%
- **Emera**: 4.4%
- **Telus**: 5%
- **BCE**: 6%

Investing in the above stocks will provide investor with enough diversification. If you want to create a stable income stream and generate $10,000 in annual dividend payouts, you can distribute $182,000 equally among these stocks.

These companies have a strong history of dividend growth as well. So, if they increase dividends at an annual rate of 5%, these payments will reach $15,513 at the end of 10 years and over $25,000 at the end of two decades.

Further, long-term investors should benefit from capital appreciation as well, which will increase their wealth multi-fold.

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araghunath