Don't Worry Canadians: $19 Billion Is on Its Way

Description

In June, Prime Minister Trudeau promised $14 billion to provinces to help them with the reopening and prop up some of the internal departments (like transit), that have been hit hard by the pandemic and are currently in a severe revenue-deficit. But the premiers took a stand to push the government into increasing the amount — and succeeded.

The federal government will dish out $19 billion to provinces, which will be distributed based on the population of a province. That's something that Quebec wasn't a fan of since the province was hit harder by the pandemic.

But thankfully, no major disagreement rose between the premiers, who got the government to agree to an amount which will hopefully make the reopening phase easier for their respective provinces.

$19 billion provincial aid

The deal that the fed struck with the provinces is broadly considered to be fair. Apart from the money, the other major part of the deal was the federal government's stipulation on how the money had to be used. That's something many provinces grumbled about, and justifiably so because they had targeted their own major reopening challenges that they planned to meet with the government funding.

The federal government identified seven major areas where the funding can and should be used, including testing, aiding at-risk population, PPEs, childcare, municipal budgets (especially transit), and paid sick leave.

The funding is supposed to sustain the provinces through the next six to eight months of gradually reopening and controlling the pandemic's spread. It's hard to predict whether the provinces will need another batch of funding.

If a second wave comes and provinces have to roll back their reopening plan than further aid might be warranted. But if the reopening phase continues without any hurdles on the way, provincial governments might be able to make it on their own.

What about personal aid?

If you don't qualify for CERB, there might not be any more personal aid coming. Even CERB rules have gotten relatively more stringent (and rightfully so). If you have an income source, it might be high time that you start weaving a safety net for yourself with some of your income so you may navigate through economically harsh phases in the future, without relying upon government help.

One of the ways you can do that is by investing in a growth stock, like **Global Water Resources** (TSX:GWR) (NASDAQ:GWRS), which also happens to be a Dividend Aristocrat (for extra credit). The stock is currently trading at $14.9 per share, which is still about 19% lower than its pre-crash value.

At this discounted price, this stock is a bargain because even at its current valuation, the stock offers a five-year compound annual growth rate (CAGR) of 15.75%.

At this rate, it can turn $1,000 a year into more than a quarter of a million in under two decades. That's enough of a nest egg to carry you through years without a primary income, especially if it's placed in your Tax-Free Savings Account (TFSA).

The company's dividends don't look very promising given its out of line payout ratios. But its growth might be reason enough to have this stock in your portfolio.

Foolish takeaway

If you were worried about the initiatives your provincial government might take about reopening, you might rest easier since it now has federal financial backing.

With the funding, provincial governments will have enough resources to reopen at a safe pace. It's yet to be seen how provinces allocate their resources and which challenges they will meet first.

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