



CRA CERB Extension Sets Maximum at \$12,000: Now What?

Description

The Canada Revenue Agency (CRA) recently extended the Canada Emergency Response Benefit (CERB) from 16 weeks to 24 weeks for eligible applicants.

CERB eligibility

The CRA says workers residing in Canada must be at least 15 years old to apply for CERB. Another requirement is employment income of at least \$5,000 in 2019 or in the 12 months prior to their date of application. Furthermore, the rules state that people can't quit a job to apply for CERB.

In addition, applicants making their first CERB claim cannot earn more than \$1,000 in income for 14 or more consecutive days within the four-week CERB benefit period. Subsequent CERB applications must be made for each period. Recipients can't earn more than \$1,000 income for the full four-week period in each new claim.

Other specific rules exist for the CERB program, but this covers the CRA basics on CERB eligibility.

CERB payment periods and extension

The \$500 weekly (\$2,000 per period) CERB payment initially ran for a maximum of 16 weeks, or four periods. Five total CERB periods existed from the March 15, 2020 start date. The extension of the CERB program allows eligible applicants to receive \$500 per week for up to a total of 24 weeks.

That's a CERB maximum of \$12,000.

The final CERB benefit period now ends October 3, 2020. Applications must be made by December 2, 2020 for payments retroactive to within the March 15, 2020 to October 3, 2020 CERB dates.

Next steps

The pandemic lockdown highlights the need for a personal financial safety net to help us get through unexpected disruptions to our employment income.

Millions of Canadians lost jobs in recent months through no fault of their own. For many, this is the second hit in the past 10 years. The Great Recession in 2008-2010 also resulted in significant job losses.

One way to build a reliable income stream that can be tapped during difficult times involves using the Tax-Free Savings Account (TFSA) to own top Canadian dividend stocks.

All earnings generated inside the [TFSA](#) are tax free. That means the full value of dividends can be used to either buy new shares or removed when we need extra cash.

The idea is to take advantage of the power of compounding to build the size of the fund when the dividends are not required to cover living expenses. If we never need to tap the funds during our working lives, the portfolio can become a substantial [personal pension](#).

In the event there is a disruption to our income stream, we can use the dividends to help cover the gap.

Top stocks to buy

The best stocks to own are normally market leaders with long track records of dividend growth. Search for companies with decades of rising revenue and higher earnings.

A silver lining in the current pandemic crisis is that some of Canada's top dividend stocks now trade at cheap prices and offer very attractive yields.

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is a good example. The bank is very profitable, even during the current financial crisis. It has paid reliable and growing dividends for more than a century. Royal Bank is also one of the top 15 banks in the world.

Royal Bank has a strong capital position to ride out the slump. The dividend looks safe and provides a 4.7% yield.

Long-term investors have done well with the stock. A \$20,000 investment in Royal Bank just 25 years ago would be worth nearly \$600,000 today with the dividends reinvested.

At the current dividend yield, this would generate \$28,200 per year in dividend income. That's equal to an income stream of \$2,350 per month!

A balanced portfolio is always recommended. Fortunately, the **TSX Index** is home to several top stocks that appear cheap right now.

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