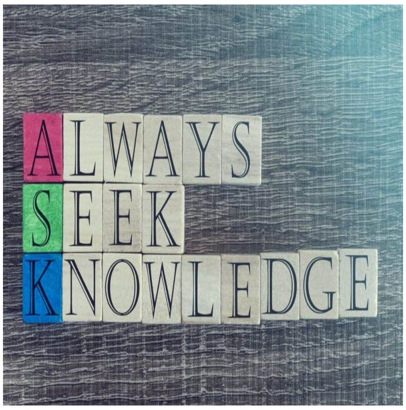

CERB to Be Phased Out: Here's What Happens Next and How You Can Supplement Your Income

Description

After its latest extension, the CERB (Canada Emergency Response Benefit) will be phased out, and recipients who've yet to return to work will be making the transition over to EI (Employment Insurance). The new-and-improved version of EI will reportedly have more "relaxed" eligibility criteria and will also be open for gig workers and the self-employed who've lost their jobs as a result of the COVID-19 crisis.

Moreover, the beefed-up EI system is ready to go and will be able to handle a large volume of applicants. Employment Minister Carla Qualtrough also stated that "there will be no disruption of benefits" and that Canada is now out of the "emergency phase."

Of course, pending on a second wave of COVID-19 infections, the "emergency" status could be subject to change. In any case, CERB users can find comfort in knowing that there's a longer-term, non-emergency solution in place for those who are struggling to return to work, as the economy continues reopening in phases.

While no "disruption" to benefits is expected in the migration from CERB to EI, affected Canadians should seek to supplement their incomes through other means. The non-emergency benefits provided by EI are likely subject to change. And if benefit payments are gradually reduced to give Canadians more of an incentive to return to the labour force, it will be vital to create your own monthly income supplement, preferably with your TFSA (Tax-Free Savings Account), so taxes don't wither away your dividend (or distribution) payments.

A TFSA income stream can help supplement CERB or EI payments

If you've been contributing to your TFSA "high-interest" savings accounts every year since the TFSA came to inception, now may be a good time to ditch the savings for dividend-paying stocks with interest rates now at rock-bottom levels. Consider shares of a bond proxy play like **Fortis** (TSX:FTS)(NYSE:FTS), which can give you a glimmer of certainty in these ridiculously uncertain and unprecedented times.

What you see is what you'll get from Fortis. A solid dividend yielding 3.5% that will grow at a 5-6% rate every year, regardless of how long this pandemic lasts or how brutal the coronavirus recession will be. Fortis's highly regulated operating cash flow streams pretty much guarantee investors a bountiful dividend that will grow at a decent rate.

Now, a 3.5% dividend may be minuscule when you consider the yield bar has been raised with many other securities following the February-March sell-off. But given dividend cuts could become normalized if the pandemic were to worsen, I'd say Fortis's dividend, which is on rock-solid footing, is far better for most TFSA savers who wouldn't feel comfortable taking on excessive amounts of risk just to beef up their TFSA monthly income supplement.

Foolish takeaway

CERB using savers should seek to play it safe. While there are zero guarantees in the world of equities, Fortis, I believe, is the closest thing to a guarantee you'll get as far as dividend payments are concerned. While shares will be fluctuating alongside the broader markets, Fortis stock's correlation is much lower (0.08 five-year beta), and that can make the stock easier for income seekers to hold through this crisis.

At the time of writing, Fortis stock is also quite cheap, at just 1.4 times book and 2.8 times sales. So, if you're willing to transition from TFSA savings to equity investments amid the CERB-to-EI transition, now's a great time, while the price of admission into a bond proxy like Fortis is low.

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