What Should You Do When the $2,000/Month CERB Runs Out?

Description

In June, the federal government extended the CERB by eight weeks. It was a much-needed break for Canadians out of work due to COVID-19. Increasing the maximum support by $4,000, it helped a lot of Canadians get through a difficult time.

Now, however, the benefit seems to be winding down. With only a few months left to go before the program ends, there have been no new extensions announced. Not only that, but Justin Trudeau has said that his government will be moving to replace the CERB with EI shortly. Taken together, these signs indicate that the CERB is ending for real this time.

In light of this, you might want to start planning for a life after the CERB. With the benefit winding down, you'll want to have your income source in place *before* the cheques stop coming. The following are the three best ways to do that.

Seek employment

The most obvious way to support yourself after the CERB ends is to seek employment. If your employer was put out of business due to COVID-19, you may want to contact them to see if they'll re-hire you. In many provinces, re-opening is proceeding swiftly, and you may be surprised to find that jobs are available where you live. Of course, this depends on where you live, the nature of your employment, and whether you can go back to work safely. If you think it's not a realistic option, we can look at option number two.

Expanded EI

EI was the main unemployment benefit for Canadians before the CERB came on the scene. It paid less than the CERB on average, but was a long-standing, proven program. In the fall, current CERB recipients will be moved onto EI. There's good reason to believe that you'll be eligible for it even if you wouldn't have been previously. In a recent statement, Justin Trudeau hinted at a "transitional EI-like benefit" for people who wouldn't normally be eligible. The details on this plan are scant, but the tone of

Trudeau's comments was encouraging. So, even if you're, say, a gig worker, you may be able to receive EI this fall.

Invest for the future

A final, long-term option for getting off the CERB is to invest in your future. By building up tax-sheltered investments in a TFSA, you can gradually establish a passive-income stream that rivals the CERB. No, you won't get up to $2,000 a month in stocks and bonds overnight. But over a few decades, you could establish such an income stream.

For example, let's imagine you held $10,000 worth of the **iShares S&P/TSX 60 Index Fund** (TSX:XIU) in a TFSA. With $10,000 in the ETF, you'd receive only $340 a year in dividends. But if you kept adding to the position until it reached $100,000, you'd get $3,400 a year (assuming the yield stayed the same). If you grew the position to $1 million, you'd be making over $30,000 a year — again, assuming an unchanged dividend. Of course, you can't stash $1 million in a TFSA with current contribution limits. But your contribution room grows over time. Over the course of, say, 40 years, a $1 million TFSA portfolio yielding $30,000 a year isn't that far fetched. And at any rate, this is a "benefit" with a lot more staying power than the CERB.

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