CRA CERB 2020: The Writing Is on the Wall

Description

CERB 2020 is the government initiative to help people stay afloat even through the harshest of economic times. But it came with a hefty price tag, and after putting a massive dent on the government's reserve in such trying time, it might not be renewed till the end of the year, as some people were hoping it would.

Another significant indicator that CERB won't continue is that the government is redirecting the individuals who are currently receiving CERB cheques towards EI. The writing is on the wall, and Canadians who haven't yet found a way to make up for the lost $2,000 monthly CERB income would be better off expediting their search for a job or restarting their business rather than waiting for the government to come through once again.

If you have a fully stocked Tax-Free Savings Account (TFSA) and are willing to put it to use to start generating enough income to make up for lost CERB, a dividend income would be a good place to start.

But the problem with this strategy is that to get $2,000 in dividends in one month, even if you have a generous yield of 6%, you would need to invest about $400,000. If people had that kind of liquidity lying around, they might not have a need for CERB in the first place.

Instead, what you can do is put part of your fully stocked TFSA to use a dividend income, and systematically sell a few stocks to make up for the difference. So it's a good idea to pick two growth-oriented aristocrats that also offer a decent yield.

A REIT

Granite REIT (TSX:GRT.UN) is currently one of the best growth-oriented real estate aristocrats. The company grew its share price 92.5% since it cratered in March and is now trading at a price that's 5.7% higher than its pre-pandemic peak. The company also offers a decent enough yield of 3.7%. That's enough to turn your $20,000 TFSA funds into $60 a month.

Say you want to get half of your CERB replacement from this stock, and the other half from the second stock. To get the rest ($940), you will need to sell at least 12 of your 252 Granite stocks. The good news is if the stock keeps growing at the same pace, even if you have to sell 12 stocks each month till December, the remaining will grow enough to keep your initial investment almost intact. As a Dividend Aristocrat, it will also increase its dividends next year.

A renewable energy company

Innergex Renewable Energy(TSX:INE) is a six-year-old aristocrat, with yield and current growth rates both a little lower than Granite's, but it has the same consistency of growth. The stock really got traction last year. Before that, the stock fluctuated between $12 and $15. Currently, it's trading at a price of $22.39 per share at writing.

As a renewable energy producer, Innergex primarily focuses on hydroelectric, solar, and wind. Its 3.24% yield would get you about $54 a month with a $20,000 investment. For the rest, you will have to sell about 42 of the total 893 shares a month.

Foolish takeaway

One advantage that dividends (plus systematic stock selling) income has over CERB, especially when it's in your TFSA is that unlike CERB, it's not taxable. Next year you will be paying a portion of the government's generosity back in taxes and you might actually be thankful for the TFSA-based income stream you had to create to make up for lost CERB.

Another benefit of choosing these strong growth stocks is that when you have resumed your business or day job, these two will grow powerful in your TFSA.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:GRT.UN (Granite Real Estate Investment Trust)
2. TSX:INE (Innergex Renewable Energy Inc.)

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Date
2025/07/08
Date Created
2020/08/12
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