



## Better Than CERB: How To Make More Than \$2,000 a Month in Passive Income

### Description

The Canada Emergency Response Benefit (CERB) has served as a bridge for millions of Canadians to avoid the abyss of this year's economic crisis. However, as the crisis ends the bridge is also drawing to a close. The government is [ending the CERB program](#) and focusing on other forms of subsidies that are much tighter.

While none of the replacement programs are as inclusive or generous as CERB, ordinary Canadians can create their own stream of tax-free, passive income relatively easily. In fact, with a little planning even a modest upfront investment could deliver *more than the \$2,000 a month* now guaranteed under CERB.

Here's what you need to know.

### Pension funds

Canada's pension and old age benefits are already comparable to the CERB program in many ways. Every Canadian qualifies for these benefits beyond a certain age. Of course, the amount you get every month depends on your age at retirement, your income and length of your career.

However, official statistics seem to suggest the average person can expect \$1,286 per month via a combination of Canada Pension Plan (CPP) and Old Age Security (OAS) payments. That's roughly two-thirds the CERB benefit.

### Closing the gap

You can cover the last one-third or exceed \$2,000 a month in passive income with some well selected dividend stocks.

Stocks like **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) could help you close this gap effectively, CIBC offers an impressive 6% dividend yield at the moment. At that rate, you could generate \$714 a month in passive income with just \$142,800 in upfront investment.

Saving just 10% of your income over the course of your career should help you accumulate more than \$142,800. However, if you don't have that capital right away, robust stocks like CIBC can help you accumulate it over time.

CIBC's stock price has more than doubled over the past 10 years. If you bought the stock in 2009, your investment would be up 144% by now. If you reinvested dividends along the way, your total return would be much higher. In this way, a smaller upfront investment (say, \$50,000) could turn into a sizable stake in a robust dividend stock in a few years.

On the other hand, if you don't want to wait that long, you could generate passive income by selling some of your CIBC stake every year. If you sell less than the stock price appreciation, you should be able to generate passive income indefinitely. For example, if CIBC stock rises 6% a year, you can sell 4% a year without diminishing your wealth.

Combined with the 6% dividend yield, this 4% annual withdrawal could help you create your own version of the CERB program.

## Bottom line

The government's CERB program is ending, which means the \$2,000 monthly benefit may soon be phased out. However, if you have enough capital or are close to retirement, you could easily replace the CERB payout with robust dividends from stocks like CIBC.

With enough of time and discipline, you could create a stream of \$2,000 in monthly passive income based on dividends alone.

## CATEGORY

1. Investing

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2. TSX:CM (Canadian Imperial Bank of Commerce)

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