CRA Update: How to Build Your Own $2,000/Month CERB

Description

The federal government in Canada has announced with finality that the Canada Emergency Response Benefit (CERB) is over. Based on the Canada Revenue Agency's (CRA) website, the last eligibility period is from August 30, 2020, to September 26, 2020.

Canadians have ways to build a personal replacement to the $2,000 monthly CERB. If you're serious about improving your financial situation and depend less on federal aid, dividend investing is the way to go.

Eligibility periods

The CRA follows eligibility periods when dispensing the crisis money. A CERB eligibility period is specific for four weeks. When you apply for CERB, you will receive a $2,000 monthly for the period that you applied for.

The program doesn't renew automatically, so an eligible CERB claimant must apply for each separately. Five periods have elapsed since the first eligibility period (March 15 to April 30, 2020), and the CRA is currently releasing payments for the sixth eligibility period (August 2 to August 29, 2020).

By August 30, 2020, the CRA will reach the seventh and last eligibility period, ending on September 26, 2020. It was a well-designed program for Canadians meeting the eligibility criteria. The CERB payments need not be consecutive, but if you received the maximum $2,000 monthly for six months (24 weeks), you would not be eligible anymore.

There were inadvertent payments during the implementation of the program. The confusion in the early days resulted in double-payments. Hence, if the CRA finds out you were ineligible, the tax agency will get back the money or demand repayment. Still, CERB served its purpose, and millions of displaced Canadian workers are thankful.

High-yield option

The ending of CERB should motivate Canadians to look after their financial health after the pandemic. Building a CERB-like payment is possible through dividend investing. But earning an equivalent to $2,000 monthly CERB will not come instantly. You need to save and raise the seed money to pursue this option.

RioCan (TSX:REI.UN), for example, is trading at less than $15.52 per share and offering a generous dividend of 9.19%. You would need $261,155 in capital to produce $2,000 monthly. It's a tall order if you don't have the required amount. However, it's better to start small than not invest at all. Over time, your money should accumulate.

When picking dividend stocks, a high yield is not the only consideration. It would help if you looked into the nature of the business and the safety of dividends. A business reversal could lead to a dividend cut. RioCan is a $4.93 billion real estate investment trust (REIT) and one of the largest REITs in Canada.

The REIT has 221 properties in its real estate portfolio but is retail-focused. Since most of the tenants are non-essential businesses, the first half of 2020 was the most challenging for this REIT. RioCan reported a net loss of $350.8 million versus the $253 million in profit during the same period in 2019.

Know your risk appetite

RioCan's balance sheet remains strong due to sound capital management. It's an excellent dividend play, but the risks are profound as we advance. However, there are other safer choices, although dividends are lower. Your investment should align with your risk appetite.

CATEGORY

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2. Investing

TICKERS GLOBAL

1. TSX:REI.UN (RioCan Real Estate Investment Trust)

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