When the CRA CERB Stops, TFSA Will Pay You $2,000 Every Month

Description

The CRA will stop the CERB in October and replace it with the Employment Insurance (EI). The EI amount may not be the same as the CERB, however.

If you are dependent on the CERB for your living expenses, you might want to look at ways you can earn $2,000 every month for over a decade or two. Today I will discuss how you can earn $2,000 in passive income without increasing your tax bill.

TFSA will pay you $2,000 every month

In the 2009 financial crisis, the Canadian government launched the Tax-Free Savings Account (TFSA) to encourage Canadians to save. You can contribute up to $6,000 a year (the limit varies every year) of your after-tax income in the TFSA and let your investment grow tax-free. When you withdraw this income, you can exclude it from your taxable income. Your TFSA can earn you $2,000 every month in tax-free income. I will take two scenarios to show how you can make the most from your TFSA.

TFSA portfolio

Scenario 1

You are in your mid-30s and have been contributing $5,000 every year in your TFSA since January 2009. By now, your contribution will total $60,000. You invested this money in a stock like **Open Text** or the **iShares S&P/TSX Capped Information Technology Index ETF** that generates an average annual return of 19%. Today you would have around $215,000 in your TFSA.

Before the CRA stops the CERB in October, you can shift your TFSA investment from a growth stockto a dividend stock like **RioCan REIT** (TSX:REI.UN). RioCan stock is trading near its 2009 level as the pandemic has cost it an estimated $19 billion in rent abatement and credit losses. However, the REIT has ample liquidity to withstand the crisis without cutting dividends.

The low stock price has created a once-in-a-decade opportunity to lock a dividend yield of 9.2%. This yield will convert into a monthly dividend payment of $1,660 on a $215,000 investment. You will get this payment while your investment remains intact. When the stock recovers, your $215,000 investment will also grow.

Scenario 2:

You are just starting with your savings in the current crisis. This year, the CRA gave out many emergency payments in the form of CERB, extra goods and service tax credit, and child benefit. You can use some of these benefits and invest them in high-growth stocks. In addition to that, you can start investing $100 a week in your TFSA.

The pandemic has created some good buy opportunities which can triple your money in a few years. One such stock is **Lightspeed POS** (TSX:LSPD). This stock was badly hit by the pandemic as its customers, which are retailers and restaurants, shut down their physical stores during the lockdown. Many customers cancelled their Lightspeed subscription.

As businesses re-open to a pandemic struck economy, social distancing has become the new normal. Lightspeed has adjusted its platform to the changing business environment. It has introduced many features and services to help retailers and restaurants operate their physical stores while maintaining social distancing.

These changes attracted a large number of retailers to its platform and drove its revenue up 51% year-over-year in the first quarter of fiscal 2021. Its stock also surged 220% in the last four months.

Lightspeed has returned to its pre-pandemic level. Last year, it rose by 90%. It has the potential to double your money in two to three years. Its growth will slow as the company grows. However, it can grow six to seven folds in the next ten years, generating an average annual return of 20-25%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing
4. Tech Stocks

TICKERS GLOBAL

1. TSX:LSPD (Lightspeed Commerce)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
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