$2,000 CRA CERB Show the Dire Need for Emergency Funds

Description

The massive takeout of the $2,000 monthly Canada Emergency Response Benefit (CERB) confirms the dire need for emergency funds. It appears people don't have enough savings to cushion the COVID-19 blow. If not for the multiple, temporary federal aid programs, most Canadians will be in financial ruin.

Financial planners have a suggestion on how you can protect yourself from economic disasters like the current pandemic. The long-standing advice is to have an emergency fund that could cover at least three to six months' worth of expenses. Aside from saving money, it would help if you considered stock investing to earn income on top of your savings.

A lifeline like no other

The 2020 pandemic is also an unexpected event but brings a more dangerous situation. Millions of people are losing jobs due to lockdowns and business closures. Suddenly, there's widespread financial hardship. Families can't hurdle the crisis without temporary financial relief.

Canadians are fortunate their government is able and willing to provide the much-needed financial assistance. There are emergency packages for workers, families, parents, seniors, students, and everyone who have urgent financial need during the pandemic. Companies and businesses have wage subsidies to keep their employees.

CERB is the flagship program and lifeline of displaced employees, workers, and self-employed individuals. When the crisis is over, it should dawn on people to practice the decades-old concept of building an emergency fund. Treat the fund as your insurance when a crisis goes down.

Gain an advantage

Financial advisers will tell you the bigger your emergency fund, the better. Your advantage with stocks is that you can use the recurring dividends for emergency spending while keeping the capital intact. A higher investment amount also means higher passive income.

Take **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD), for instance. While there's no 100% guarantee on future dividends, the second-largest bank in Canada has a dividend track record of 163 years. The illustrious feat gives you the confidence to invest in this bank stock.

Toronto-Dominion ranks number 25 in the world's 100 largest banks with a market capitalization of $114.39 billion. In the 2008 financial crisis, it was the only Canadian company that reported growth in revenue and earnings. The current headwinds are fierce, but the bank should weather the storm anew.

Management expects the global economic downturn to affect the bank's business and operations for the rest of the year. However, crisis management protocols are in place, and credit risk monitoring is ongoing. Still, Toronto Dominion should end the year with strong liquidity and funding positions.

Concerning potential income, Toronto-Dominion pays a hefty 4.98% dividend. A $25,000 investment is a good start and will deliver $1,245 in passive income. Your build-up can be gradual and not to the point of overfunding your emergency savings. Allow the money to compound substantially over time to reach your desired buffer.

Be headstrong

Emergencies pop up when you least expect them. Often, it messes up a family's budget. The health crisis imparts a valuable lesson. If you have the propensity to earn, save whenever possible. A substantial emergency fund will help you become head-strong when financial disaster strikes.

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cliew