1 Thing All CERB Recipients Should Be Doing

Description

The Canada Emergency Response Benefit (CERB) is coming to an end. While the government says it will continue to support Canadians the new process will undoubtedly involve more checks and balances to ensure that benefit recipients are looking for work. But there's still lots of uncertainty in what lies ahead for those in need of further assistance and how to incentivize people to go back to work, especially with the COVID-19 pandemic still a significant concern.

One thing CERB recipients should be trying to do right now is to put away as much money as they can into a tax-free savings account (TFSA). Not everyone can obviously afford to do so, but especially now with extra incentive to stay home and many businesses not even operating anywhere near capacity, it's a great opportunity to minimize spending.

Saving any excess into a TFSA can help you invest that money into an income-generating stock that will improve your financial position and make you less dependent on government benefits in the future.

Why a TFSA is your best option today

With a TFSA, you can withdraw money from the account as you need it without worrying about withholding taxes. While there are things to avoid doing in a TFSA as you can incur penalties, it's generally a better vehicle for saving money right now than a registered retirement savings plan (RRSP) is.

With an RRSP, early withdrawals are subject to withholding taxes and the account is ideal for deferring taxes. And if you're collecting CERB, this year's likely not going to be one of the years you're in a higher tax bracket where you'll benefit from reducing your tax bill and deferring the obligation to a later year.

The flexibility of the TFSA makes it a great option for many Canadians. And the great thing is you can put any stock that's in the TSX in it, as well as many other major exchanges. And if you're not sure what to put in it, consider a top bank stock like **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD).

The Big Five bank has operations in Canada and the U.S. and can give you great exposure to both markets. Its banking products serve both businesses and consumers, ensuring that as the economy gets going again, so too will the bank stock.

A great reason to buy shares of TD today is that it's struggling this year as many investors have turned away from the stock since it's dependent on a strong economy. But the benefit for investors today is that it's relatively cheap, trading a little more than its book value and at a price-to-earnings multiple of around 11.

Its dividend yield is around 5%, which is not common for this Big Five bank, and it's only that high because of the decline the stock's been on this year. A $10,000 investment in stock would generate $500 in income for you every year. And within a TFSA, that income also wouldn't be taxable.

For long-term investors, investing in TD's a great move as it'll move along with the economy, which is a safe bet to grow over time.

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Date
2025/08/19
Date Created
2020/08/23
Author
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