



\$14,000 CERB Is Ending: Start of Universal Basic Income?

Description

A British Columbia representative in Canada's Senate is the latest to join groups advocating for a universal basic income (UBI). Independent senator Yuen Pau Woo proposes an experimental basic income program at the provincial level after the Canada Emergency Response Benefit (CERB) ends.

In a webinar at the University of Victoria, and before the government announced the [CERB replacement](#), the senator expressed worry over the Employment Insurance (EI). He foresees complications to the EI program once the [\\$14,000 CERB](#) winds down.

Senator Woo suggests that Canada rethink its social safety net as well as the EI system. The door is now open due to COVID-19 and the accompanying economic downturn. He believes a basic income program could be a solution to income inequality.

Scrapped experiment

A most ambitious social science experiment took place in Canada in 1974. University of Manitoba economist Derek Hum, along with two civil servants from Manitoba, created a scheme wherein the poorest residents in Dauphin could apply to receive monthly cheques to boost their existing income.

Hum's group set a level for how much a family of three or four needed to get by. Applicants must show how much income they were making. If you didn't meet the threshold, you'd receive a top-up.

The program had to stop in 1979 due to the oil price shocks that led to rising inflation and unemployment. More families sought financial assistance, which used up the experiment's budget. The federal and provincial governments no longer found the payouts viable.

The failure of the 1974 experiment stems from a lack of funding support. In the same breath today, Senator Woo's big question is how to fund a UBI program. Prime Minister Justin Trudeau says it's easier said than done.

Permanent lifeline

CERB is the vital lifeline of millions of Canadians during the health crisis. About four million will still need economic support, as the country enters the recovery period. However, people with money to spare should rethink their financial state. It would be best if you replaced the taxable benefit with something more permanent to be secure.

A dividend pioneer would be the hands-down choice if you were to create a permanent income from your available funds. **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) owns the distinction of paying dividends to income investors for 191 years. The fourth-largest banking institution in Canada is also the preferred investment of retirees.

The current stock price is 15.52% lower than its 2019 year-end price, although it has risen by 48.87% from a COVID-19 low of \$54.66. Thus, at \$81.37 per share, and a dividend offer of 5.17%, BMO is a screaming buy today. Your \$40,000 seed capital will produce a lifetime quarterly income of \$517 effortlessly.

Ongoing discussions

Canada's new \$37 billion COVID-19 aid package and other recovery benefits will commence when the second CERB extension ends. The program will run for a year, beginning from September 27, 2020.

Meanwhile, you can expect discussions on whether or not a UBI should be the next social program to continue. If ever one comes, several quarters are hoping it would be a guaranteed livable basic income based on the success of CERB.

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