Will End of the $2,000 CRA CERB Hurt You?

Description

The Canada Emergency Response Benefit (CERB) was created out of necessity to deal with the overwhelming number of jobs lost due to COVID-19 and the ensuing lockdown. Traditionally, people receive Employment Insurance (EI) benefits when they lose their jobs due to no fault of their own. However, the overwhelming unemployment rates by mid-March 2020 required a different approach to address the problem.

The CERB initially began as a 16-week program that would pay out $8,000 to eligible applicants. With no visible end to the pandemic at the time, the government extended it by eight weeks and then another four weeks. With the final extension, CERB will end on September 26, 2020. The total payout eligible Canadians can receive is $14,000.

The end of the CERB era

As the Canada Revenue Agency (CRA) makes its last CERB payment on September 27, many will transition to the new and improved EI system. While the EI has been adapted to make it easier for Canadians to qualify, not everybody can make the cut or earn as much as they did through CERB.

People who qualified for CERB benefited greatly from it. Canada's COVID-19 Response Plan did an excellent job of easing the financial burden on millions of Canadians, as they struggled through the lockdown. While the government does plan to provide financial aid to Canadians who don't qualify for the revitalized EI, it would be better to create an income stream by yourself.

Passive-income stream

CERB was of massive help, but it was a novelty. The financial aid came with the drawback of possibly having to pay back the CRA if you were not eligible. It is a taxable benefit that will count as part of your 2020 taxable income, and it came with an expiry date.

Creating a dividend income portfolio in your Tax-Free Savings Account (TFSA) can help you earn money without a job. You do not need to fit any eligibility criteria. Your income is tax-free, and it does not come with an expiry date. It requires investing an adequate amount from your savings in a diversified portfolio of reliable and high-yield dividend stocks. **Manulife Financial** (TSX:MFC)(NYSE:MFC) is one such stock that you can consider as a foundation for the dividend income TFSA portfolio.

MFC is a reputable insurer worldwide that can deliver dividend payouts to its shareholders without fail. Allocating a decent portion of your TFSA's contribution room to the stock can help you add more cash to your account through its juicy 5.80% dividend yield. At writing, the stock is trading for $19.31 per share, and it is generating momentum towards recovery on the stock market.

The insurance company can currently earn you a respectable income in your TFSA portfolio. It is also trading for a 30% discount from its January high. It means the stock can also grow your wealth through capital gains as it continues to recover its share price.

The long-term health of the insurance company is not in question. Its clientele is geographically diversified, and it has been operating for the last 133 years. Manulife has seen two world wars and a pandemic before. It can continue to thrive through the current circumstances.

Foolish takeaway

CERB was of immense help to Canadians unemployed due to COVID-19. If you cannot find a job by the time it ends, you will begin to receive EI benefits or any other CERB alternatives you can qualify for. However, I would advise building a passive-income stream for yourself through a portfolio of reliable dividend stocks. If you invest enough capital in stocks, you can earn as much as your $2,000 CERB. I think Manulife could be an ideal stock to begin building such a portfolio.

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