



CERB Is Finished: What Comes Next to Replace CERB Payments?

Description

CERB payments ended as of September 27, 2020. Millions of Canadians who relied on CERB benefits to get them through the past six months want to know what the next step will be.

CERB replacement

The last CERB extension is over. Canada extended CERB from 24 weeks to 28 weeks when it announced plans to transition to new support options.

Changes to the Employment Insurance (EI) program and new [recovery benefits](#) aim to provide a transition from CERB to the EI system.

The proposed changes require Parliamentary approval. If they are passed, the benefits will retroactively apply to begin September 27, ensuring qualified recipients do not get hit by a delay after the end of CERB.

Changes to the EI program

EI will become available to more people. The government estimates an additional 400,000 Canadian will qualify under the new rules. EI will pay a taxable amount of at least \$400 per week, or \$240 per week for extended parental benefits, for a minimum of 26 weeks.

EI insurance premiums won't change for two years.

New proposed benefits to replace CERB

The Canada Recovery Benefit (CRB) pays \$400 per week for up to 26 weeks to people who are self-employed and not eligible for EI. This includes gig and contract workers who fall outside the standard EI benefits plans.

The Canada Recovery Sickness Benefit (CRSB) pays \$500 per week for up to two weeks. The benefit is designed to help people who get COVID-19 or are required to self-isolate for two weeks due to COVID-19.

The Canada Recovery Caregiver Benefit (CRCB) pays \$500 per week for up to 26 weeks per household for eligible Canadians who can't work, because they must remain at home to look after a child under the age of 12 who is home due to school or daycare closures. The benefit also applies to the care of a family member with a disability who is not able to be at their care facility due to a COVID-19 closure.

More than 8.5 million people benefitted from CERB. Four million already transitioned from CERB back to work.

How to build your own CERB replacement

The pandemic put millions of Canadians in a difficult financial situation beyond their control.

Hopefully, vaccines will be widely available in the coming months and everyone will be able to go back to work. A major pandemic might not occur again for another 100 years, but we have to prepare ourselves for a disruption to our income.

One way to do this involves owning [top dividend stocks](#) inside a TFSA. The pandemic market crash sent the share prices in many high-quality companies to levels where they now pay great dividend [yields](#).

The goal is to build a portfolio that pays enough in dividends to give you the equivalent of a CERB benefit. Dividends can be used to buy new shares when the distributions are not needed. This harnesses the power of compounding.

For example, a \$3,000 investment made in **Enbridge** stock just 20 years ago would be worth \$30,000 today with the dividends reinvested. That \$30,000 would now generate more than \$2,400 per year in dividends, or \$200 per month.

A \$30,000 investment in Enbridge would be worth \$300,000 and generate \$24,000 per year in dividends, or \$2,000 per month.

This is better than CERB, because it would not have a deadline. In addition, all money earned inside the TFSA is tax-free!

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