CRA: 3 Reasons CERB Had to End

Description

The Canada Emergency Response Benefit (CERB) was a wildly successful attempt at mitigating the historic crisis we faced earlier this year. Over eight million people applied for the program and benefited from regular weekly payments. However, the program has now officially come to an end.

Here are three reasons the government had to let this undeniably popular program lapse and what you can do to replace the CERB with an independent passive-income stream.

Costs

At the end of September, the total dollar amount paid out under the CERB program stood at $79.30 billion. To put that into context, that amount is 3.5% of Canada's gross domestic product (GDP) *last year*. However, since GDP fell this year, the total proportion is likely to be much higher than 3.5%.

In short, the CERB was an extremely expensive program. It was, nonetheless, necessary, while the nation dealt with a historic pandemic and economic shutdown. Now, it's less necessary.

Economic recovery

Economic activity across the nation has bounced back significantly since late March, early April. Activity had dropped to 82% of February's pre-COVID levels, according to Statistics Canada. Now, activity is back up to 94% of pre-crisis levels. 1.9 million jobs had been recovered in August alone.

In other words, the economy is slowly but surely bouncing back, which makes an emergency stimulus program like CERB less necessary.

CERB transition to EI

As mentioned above, the economy has bounced back, but not fully. Millions of people remain unemployed, while millions more either have COVID-19 or are caring for someone with health complications.

To support these people specifically, the government has modified Employment Insurance (EI) with three new programs: Canada Recovery Benefit (CRB), Canada Recovery Caregiver Benefit (CRCB), and Canada Recovery Sickness Benefit (CRSB). These programs promise to deliver $500 or more a week until next year.

How to protect yourself further

While the government's benefits go a long way, they probably don't go far enough. A complete economic recovery could be years away, and we're still dealing with the pandemic. Some people may not be covered by the new EI programs.

If you're receiving benefits now or are fully employed, it might be a good time to plan ahead. Set some cash aside every week (say $100) and invest it in a robust dividend stock like **SmartCentres REIT** (TSX:SRU.UN).

My Fool colleague Joey Frenette called the stock a baby that's been thrown out with the bathwater. In his view, this real estate investment trust is better positioned than other rivals in the retail sector. That's because most of its shopping centres are anchored by megabrands, providing essential groceries and services.

The stock has been beaten down enough to make it attractive. The 9% dividend yield makes it even more attractive. SmartCentres could be the perfect rebound bet for investors.

Bottom line

CERB had to end, because it was too expensive and unnecessary given the economic recovery. New programs, such as CRB, close the gap temporarily. But robust dividend stocks like SmartCentres could close the passive-income gap for you permanently.

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vraisinghani