



CRA's CERB Ended: A TFSA Passive-Income Stream Can Help You Amid This Crisis

Description

The CRA's CERB (Canada Emergency Relief Benefit) program has ended, and in its place will be an updated form of EI (Employment Insurance), among other options available to vulnerable Canadians who've seen their employment affected by the [horrific COVID-19 pandemic](#).

While the transition from the CERB to EI is said to be a smooth one, I'd imagine that many affected Canadians are experiencing a severe bout of financial anxiety at this juncture. With a second wave of COVID-19 cases that threatens to cause a ["double-dip" recession](#) and another unemployment spike, there's no question that Canadians need greater security given the constant changes and updates made to relief benefits like the CRA's CERB or EI.

A TFSA portfolio can help you get the monthly income you need as CRA's CERB ends

If you hold dividend- or distribution-paying investments in your TFSA (Tax-Free Savings Account), you could be dealt with another financial hit, as payout reductions could become normalized, as a second wave could wreak further havoc on the balance sheets of firms within vulnerable industries.

Unfortunately, many Canadians may be overexposed to the sectors that have been feeling the most significant impact from COVID-19, as the **TSX Index** is overweight in the energy and financials, two of the hardest-hit areas of the economy right now.

It's never too late to de-risk your portfolio as this crisis worsens, however. Billionaire investor Warren Buffett also took a big hit from this crisis, but he chose to de-risk after the hit, rather than waiting around and just hoping for the pandemic to end. The fact of the matter is nobody knows when this pandemic will end or how long the "new normal" will weigh down the economy. If you've lost your job because you work within a hard-hit industry, it may be a wise idea to hedge your exposure to COVID-hit areas of the market to better mitigate risks brought forth by COVID-19.

Beyond the CRA's CERB: Starting your own passive-income stream

If you're facing financial hardship through this crisis, feel no shame in swapping your high-growth zero-dividend payers, cash, or unrewarding fixed-income securities for higher-yielding securities that can boost your passive income and ease your financial anxiety through this stressful time.

With a robust passive-income stream, preferably in using your TFSA to remove the effects of dividend (or distribution) taxation, you'll have greater peace of mind, even if the CRA's CERB-to-EI transition ends up being a tad bumpier than expected.

A one-stop-shop solution for previous CRA CERB users

After the February-March coronavirus sell-off, there are plenty of bargains out there with yields that are at the higher end of historical ranges. You could go on the hunt for the babies that have been thrown out with the bathwater, or you could opt for a one-stop-shop solution such as the **BMO High Dividend Covered Call ETF** ([TSX:ZWC](#)), which sports one of the safest +8% yields you're likely to come across on the **TSX Index**. The ETF marries long positions in high-yielding blue chips with an option-writing strategy to stretch the yield as far and as safely as possible.

The covered call strategy trades off potential upside for premium income upfront. The trade-off may not be worthwhile over the long run, especially for young investors, given the market tends to go up over prolonged periods and the fact that the ETF has a hefty management expense ratio of 0.72%, which will come out of your pocket.

Foolish takeaway

In times of crisis, when you need greater income and don't want to run the risk of eating into your TFSA principal before retirement, the ZWC is a terrific option, with its 8.7% yield. Once you regain your employment and things are back to normal, you can ditch the ZWC for "growthier" securities and be right back to where you were before COVID-19 sent the world into one of the worst socio-economic crises in history.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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TICKERS GLOBAL

1. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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1. Business Insider
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