Warning: The CRA Could Ask You for the $14,000 CERB Back!

Description

The Canada Revenue Agency (CRA) is busy at work cleaning up the remaining inadvertent payments distributed through the Canada Emergency Response Benefit (CERB) program. If you received the CERB money and the CRA finds out that you don't qualify for the benefit, it could take back the $14,000 CERB.

The CERB ended on September 27, 2020, and made way for CERB alternatives that are likely to encourage Canadians to return to work. However, the CRA also has started the repayment process so that you can return your CERB money.

Why the CRA might take back your CERB money

The CRA was quite clear with its eligibility criteria when it announced the CERB. However, the government agency was not stringently checking the eligibility while approving applications to disburse the payments quickly. The lax checking while distributing the payment does not mean that the CRA is not strict about its eligibility requirements.

A couple of scenarios could see the CRA take back some or all of the CERB money you have received. Suppose you applied for CERB, you received the CRA's money, but you find out much later that you are not eligible. You will need to return the amount you have received back to the CRA.

Another scenario could be that you applied for the CERB with both CRA and Service Canada. You are allowed to file the CERB application with just one agency, not both. Two applications could result in double payments. If you have received double payments, you should return the excess money.

These two are common scenarios due to which the CRA is busy collecting inadvertent CERB payments to ineligible Canadians. If you've received CERB money that you should not have, you should return it to the CRA or Service Canada, depending on who provided you the payment.

Prepare for future emergencies

The global health crisis, lockdown, and the loss of income have highlighted the importance of savings for rainy days. It would have been impossible for millions of Canadians to make it through the current crisis without government support. The CERB delivered a lifeline to millions of Canadians that helped them make it through the worst of the pandemic.

Despite the replacements for CERB that came into action at the end of September, you should consider creating passive income that can ensure you don't need government support. The most basic method to create passive income with minimal effort is through a portfolio of dividend-paying companies.

Storing a dividend-income portfolio in your Tax-Free Savings Account (TFSA) can help you amass significant savings for any future emergencies. Ideally, I recommend building such a portfolio with shares of a company like the **Bank of Montreal** (TSX:BMO)(NYSE:BMO).

This Canadian financial institution is one of the oldest in the country and pioneered the concept of dividends. The bank stock has a reputation for providing its investors with returns from profits in dividends for almost 200 years. You can buy the stock and hold onto it forever to enjoy virtually unlimited dividends.

The banking stock took significant hits with the onset of COVID-19. BMO declined more than 44% from the start of the year to the March 2020 bottom. However, the stock has recovered more than 38% since its market bottom and retains its 191-year dividend streak. The stock is paying its shareholders at a juicy 5.50% dividend yield at writing.

Foolish takeaway

You should return the money if you find out that you are ineligible for the CERB cash you've received. Even if you qualify for the CERB alternatives, I would advise beginning work on creating emergency funds. Building a portfolio of dividend stocks like BMO in a Tax-Free Savings Account (TFSA) can help you enjoy tax-free growth for your wealth that can come in handy during emergencies.

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