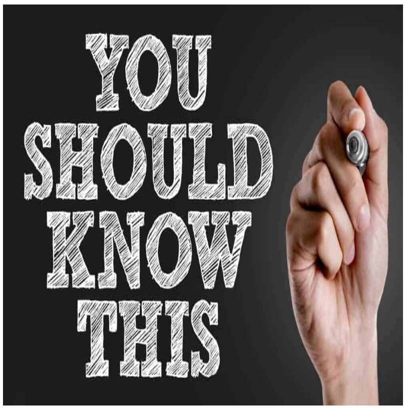

The CRB Application Is About to Open!

Description

The Canada Revenue Agency is about to open the Canada Recovery Benefit (CRB) application. The government promises more details on that on October 12.

The program intends to support employed or self-employed Canadians who are affected by COVID-19 but cannot get Employment Insurance (EI) benefits.

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The CRB is a $1,000 payment every two weeks. However, this amount has a $100 tax withheld, so eligible CRB applicants actually get $900. If the COVID-19 impacts continue, you'll need to reapply again for up to 13 eligible periods, equating to 26 weeks or half a year of coverage.

The government will reassess and update benefits as needed to cater to the changing COVID-19 situation. In the meantime, you can help yourself to fill in at least some of the income that you lost if you have some spare savings on the side.

Get passive income every month from real estate

For example, you can look into becoming a passive landlord. That is, you can collect rent without having to do anything! Simply seek real estate investment trusts (REITs) that can sustain their monthly payments. These REITs are managed by professional management teams.

Right now, I own shares in **H&R REIT** (TSX:HR.UN) and **NorthWest Healthcare Properties REIT** (TSX:NWH.UN) and receive safe monthly dividends from them. Both offer yields of roughly 6.8%, which is three times the five-year GIC rate. I chose a five-year period as a comparison because a good stock investment should turn green within three to five years aside from being hit by a market crash.

In other words, for the added risks that you're taking with these REITs over low-risk GICs, you get much greater income immediately and later on should also enjoy meaningful price appreciation.

GICs are low risk in the sense that your principal is safe. However, they could be risky in that inflation makes money worth less. So, on the surface, GIC holders are getting a 2% interest rate but in reality, they may be just maintaining their purchasing power.

Safety of the REIT’s dividend

H&R REIT’s second-quarter funds from operations (FFO) payout ratio was 60.4%. However, since the diversified REIT cut its cash distribution by 50% in May, there’s a good chance the payout ratio will improve as the economy improves from re-openings.

In fact, with rent collections of 87% or higher from April to August thanks to resilient office, residential, and industrial assets, it’s probable that H&R REIT will improve its cash distribution to near pre-pandemic levels in a few years.

NorthWest Healthcare Properties REIT is a defensive REIT with a weighted average lease expiry (WALE) of about 14 years, underpinned by its international healthcare properties portfolio of hospital and healthcare facilities that have a WALE of about 20 years.

Its essential property portfolio has maintained a high occupancy of about 97%. Three key factors contribute to the stability of its cash flow: 75% of its rents are indexed to inflation, which provides organic growth. Second, more than 80% of its tenants have government support. Third, the company is growing its fee-bearing assets under management, which increased to $8.4 billion recently.

The stable cash flow combined with a normalized payout ratio of 87% should allow the healthcare REIT to keep its dividend safe.

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The Foolish takeaway

The CRB is essentially a CERB extension to help Canadians through this pandemic. If you have any excess savings today, consider boosting your passive income through REITs that pay shareholders monthly cash distributions.

When you start getting a full income again, don’t forget to continue saving and investing regularly to continue growing your income stream to help you through tough times.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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4. Stocks for Beginners

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)
2. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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