Canada Recovery Benefit: Create Your Own CERB Extension for a Lifetime

Description

CERB was a lifesaver for many Canadians. Now that the CERB is officially over, the Canada Revenue Agency introduced some offshoots to prop up the economy.

Unfortunately, government aid will not last forever. But you can create a passive-income flow with high-quality dividend stocks, which should be your emergency benefits for sunset years. Interestingly, one doesn't need to have a big reserve upfront. Disciplined investing and generous time for compounding will be enough.

Create your own CERB

Canadians who are still working and have time before they retire can prepare for the next disaster. It will certainly be better than relying on government aid.

Under the Canada Recovery Benefit, one of the CERB extensions, the Canadian government will pay $500 per week for up to 26 weeks. One would be eligible for the CRB if they have stopped working because of COVID-19 or have their income reduced by at least 50% and are not eligible for Employment Insurance.

What does one need to do if they want to create a similar passive-income stream without the federal aid?

If an investor puts $6,000 per year in high-quality dividend stocks through TFSA (Tax-Free Savings Account) for the next 20 years, they will generate a reserve of approximately $350,000 based on historical trends. An 8%yielding stock would make around $28,000 in dividend income, which is $2,333 per month.

Investors should note that dividend income will start from the first year itself. It’s just that the reservewill take approximately 20 years to grow to create dividend income of $2,333 per month. Similarly, in30 years, the reserve will be worth around $1 million and would generate $6,580 in dividends everymonth.

Choose high-quality dividend stocks instead of the Canada Recovery Benefit

Luckily, the Canadian market has a lot of high-quality dividend stocks. Investors can consider energy midstream company **Enbridge** (TSX:ENB)(NYSE:ENB). It yields more than 8%, higher than TSX stocks at large. Enbridge’s low-risk business model enables stable earnings and, ultimately, stable dividends. The oil and gas infrastructure company is an apt pick for long-term, low-risk investors and suffices the above calculation.

If one had invested $6,000 per year in Enbridge for the last 20 years, they would have made a reserve of $468,000 today. The same reserve generates $9,370 quarterly in dividends.

Investors should note that stock markets are not entirely risky, as some perceive. However, defensive dividend stocks offer higher total-return potential, along with unmatchable portfolio stability.

Another such high-yielding option investors have is **RioCan REIT** (TSX:REI.UN). RioCan owns and operates a portfolio of shopping centres with a total area of more than 39 million square feet. It yields 10% at the moment.

An investment of $6,000 per year in RioCan for 20 straight years would have generated a reserve of $385,000 today. RioCan pays monthly dividends, and that much would create $3,210 in dividends per month.

Even if the calculation seems daunting, the execution is not. The point is to keep invested for the long term with quality stocks. It will create a passive-income stream and will make you financially independent in your sunset years.

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3. TSX:REI.UN (RioCan Real Estate Investment Trust)

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Date
2025/08/25
Date Created
2020/10/13
Author
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