How to Turn Your CERB Extension Into a Lasting Income Stream!

Description

The Canada Emergency Response Benefit (CERB) ended in September 2020. While the CERB has extended into different forms such as the revised EI and CRB the federal benefits are temporary and will end after a maximum of 26 weeks.

The economy continues to remain fickle and volatile, and the importance of ensuring a passive income stream cannot be overstated. In order to build wealth, you need to be disciplined and keep contributing to your savings diligently which in turn should be used to diversify your investments.

The CERB provided Canadians $500/week or $2,000/month and was a retroactive payment for a period of 26 weeks. However, there are ways to create a recurring income stream similar to the CERB but which will be permanent.

Turn the CERB extension into a dividend stream

One way to generate a stable stream of recurring income is by investing in blue-chip dividend stocks such as the **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS). If you invest $500 a week or a total of $52,000 a year into this Canadian giant, you can generate $1,670 in annual dividend payments.

BNS stock is trading at $56.43, which is 26.5% below its 52-week high, increasing the stock's dividend yield to a tasty 6.43%. Investors have been concerned over the low-interest rate environment and high unemployment rates in Canada which has significantly impacted bank stocks.

There is a good chance that the high unemployment rates will drive mortgage and corporate defaults higher. While it will also boost the demand for mortgage loans, experts believe Canada's housing market is on the verge of a market crash.

Alternatively, Canadian banks have a solid reputation of being well run compared to their American counterparts, ever since the financial crash of 2008. BNS stock is no exception and despite slowing revenue and earnings growth in fiscal 2020, it remains critical to the Canadian economy.

Bank of Nova Scotia announced its fiscal Q3 results in August and reported adjusted net income of $1.3 billion or $1.04 per share, which was surprisingly in line with the prior-year period. It said Q3 results were negatively impacted due to COVID-19 which meant BNS had to increase its loan loss provisions.

Lower consumer activity hurt the retail banking segment which was offset by growth in its wealth management business. BNS increased its provision for credit losses (PCL) by $335 million to $2.18 billion and the PCL ratio increased 88 basis points year-over-year.

The Foolish takeaway

BNS stock is one of the cheapest bank stocks right now, It trades at a forward price to earnings multiple of 10.9 and a price to book multiple of 1.1. Its low valuation and a juicy dividend yield make the stock a compelling buy for income-savvy investors.

Analysts tracking Bank of Nova Scotia have a 12-month average target price of $61 which is 8% above the current trading price. After accounting for its dividend yield of 6.4%, total returns can move close to 14%.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/08
Date Created

2020/10/13
Author
araghunath