



Put Unused Cash to Work and Create Your Own CERB for Lifetime

Description

Many Canadians recently received letters from the CRA asking to repay the CERB. While the government aid eased a financial burden to a large extent during the pandemic, paying it back will indeed be strenuous for most of them.

Create your own CERB

But why not create your own emergency funding that will last for life? It's not that difficult nor involves severe financial hardships. Becoming financially independent should be your goal for your sunset years.

A back of the envelope calculation shows that to make \$2,000 in monthly payments, one needs to invest \$6,000 per year for 20 years with a decent-growing **TSX** stock. Although that might seem intimidating, it is not.

Let's simplify that a little further. A \$500 monthly investment with a stock growing 12% per year would generate a reserve of \$432,000 in two decades. If you invest that corpus in a stock with a dividend yield of 6%, you will generate \$25,940 in dividends annually (that's \$2,161 per month).

If 20 years is a long investment horizon for you and want to shorten it to a decade, one needs to increase their monthly investments or pick a faster-growing stock.

Are you sitting on excess cash?

Many Canadians are sitting on a huge cash hoard this year. They might not need it in full as we have started seeing the light at the end of the tunnel. With aggressive efforts on the mass inoculation front, the pandemic could be over by the second half of 2021.

Canadians should consider using their spare cash to [invest in TSX stocks](#) and create a reserve in the long term.

There are many TSX stocks that fit the above calculation. For example, consider **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)). It has returned a little higher than 12% per year for the last 20 years. It pays stable dividends and exhibits much lower volatility than broader markets.

Besides, utility stocks like Algonquin outperform in bear markets because of their low correlation with stocks at large. The longer the investment duration, the bigger the reserve, and the higher the payouts will be.

Top TSX stocks for the longer term

Another top TSX stock investors can consider for this strategy is **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)). It is the country's biggest energy company with a diversified product portfolio.

CNQ stock has returned almost 12% in the last two decades and yields 5.5%. If you had invested \$500 monthly in this stock since 2000, you would be sitting on a reserve of \$432,315 today. Based on its current yield, the same reserve would be paying you a monthly dividend of \$1,981 today.

Canadian Natural Resources has a strong financial position and is well placed for recovery going into 2021. When almost all the oil majors cut or suspended dividends in Q2 2020 amid the pandemic, CNQ was confident of its financial position and [increased](#) shareholder payouts. The stock has soared more than 55% since the vaccine news in late October.

Bottom line

The reserve you would create over the long term will continue to grow over the years while generating a decent passive income. Forget the CERB. With disciplined long term investing, you will not have to rely on any external financial crutches.

CATEGORY

1. Coronavirus
2. Dividend Stocks
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4. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CNQ (Canadian Natural Resources Limited)

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