



CPP Pension Users: The 2020 CPP Enhancement Means Your Paycheck Will Be Less

Description

The employee and employer contribution rates to the Canada Pension Plan (CPP) increased from 5.1% to 5.25%, starting January 2020. It means your paycheck will be less as a result of the higher contribution. Still, welcome the enhancement because it will have a positive impact on your CPP.

Treat your CPP contributions as “forced” savings as they will form part of your post-retirement income. But if you want to recoup the reduction in your paycheck or replace it, look to invest in dividend stocks that pay higher than 5.25%.

On a positive note, the higher contribution should encourage CPP pension users to save and invest. The more cushions you have in the later years, the more comfortable life would be.

Dividend titan

True North ([TSX:TNT.UN](https://www.tsx.com/quote/TNT.UN)) is [a dividend titan in the real estate sector](#). This \$670.6 million real estate investment trust (REIT) offers a hefty yield of 7.98%. If you have \$50,000 to invest, you can have an extra boost of \$332.50 in monthly income.

True North currently owns and operates 46 commercial properties with high-profile tenants. The locations of the rental properties are in urban and select strategic secondary markets across the country. One of its prominent tenants is the federal government of Canada.

True North has been highly selective in the choice of tenants. If you look at the tenant profile, you’ll see that the focus is mostly on government and credit-rated tenants.

The purpose is to ensure that the prospective lessees are open to long-term leases. Lengthy contracts mean stable rental payments and nice leasing spreads.

With a high occupancy rate of 96%, True North can sustain paying high dividends. Even for a little investment, your money will go a long way.

Growth facilitator

The 7.37% dividend of **Alaris** (TSX:AD) should negate outright the impact of higher CPP contribution. Also, if you have zero or minimal savings but need to [boost your OAS and CPP pension](#), Alaris is an excellent choice.

As a royalty company, Alaris helps lower- and middle-market companies obtain growth capital or long-term funding support. It then collects royalties from the invaluable service. Alaris entertains only private companies that are already generating \$3 million in cash flows. Startups do not qualify.

Alaris has a \$215 million credit line available to fund future market leaders in 2020. With global economies returning to normal, this royalty company can proceed to expand. Last year, the stock showed gains of 28.22%. The high dividend should increase your total return further.

Best-case scenario

You'll be contributing more to the CPP in 2020 in exchange for higher benefits down the road. However, you must remember that the CPP aims to replace only one-third of average earnings before retirement. Hence, there's a challenge and motivation for CPP pension users to take retirement planning seriously.

If your top priority is to generate income, high-yielding dividend stocks like True North and Alaris Royalty should address your needs. As you build your nest egg, you gain confidence, not fear of retirement. Having substantial financial support in the sunset years is the best-case scenario for all retirees.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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