



CPP Pension Enhancement Means a Smaller Take-Home Pay in 2020

Description

The Canada Pension Plan (CPP) enhancement in 2020 means smaller take-home pay for income earners. Interestingly, four out of five Canadians are willing to give up pay in exchange for better financial security in the later years.

These results came from a public opinion research commissioned by the Healthcare of Ontario Pension Plan (HOOPP). Abacus Data conducted the opinion poll that showed 80% of the respondents are in favour of the CPP pension enhancement.

According to pension experts, the enhancement is not bad news but more beneficial to future pensioners. The new contribution will now replace 33.33% of your average lifetime earnings instead of 25% previously.

Fear of limited resources in retirement

The HOOPP research found out that many Canadians worry about not saving enough for retirement. It indicates that there is anxiety around retirement security. Also, it gives [the motivation to save more and invest](#) in a backup source of income.

If your savings will allow, try dividend investing. **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Suncor** ([TSX:SU](#))([NYSE:SU](#)) are the prominent investment choices of income investors. Both are Dividend Aristocrats, so building a portfolio around the companies should be rewarding.

A-1 energy infrastructure company

Enbridge is operating in a very volatile industry, yet there isn't too much risk. Its current yield of 6.3% is also irresistible. This \$102.98 billion energy infrastructure company rakes in billion-dollar profits. In the last four years, the profit level is around \$5.7 billion, while free cash flow is about \$3.7 billion.

The long-term, fee-based contracts contribute 98% to total revenue. With over the \$19 billion worth of

expansion projects in the pipeline, Enbridge is in a position to earn more and strengthen its financial profile. The company can easily achieve its compound annual growth rate (CAGR) target of 10% through the year-end 2020.

There is everything to love about Enbridge. It is North America's largest pipeline owner and operator. The company is well entrenched in the pipeline business. And only companies with massive funds can operate in a capital-intensive industry. Enbridge's competitive advantage is its extensive pipeline network.

Class-A integrated energy company

The investment thesis for Suncor is that Warren Buffett owns shares of this \$57.28 billion energy company. But even without the influence of the billionaire investor, Suncor attracts investors on its own merits.

Suncor has all the characteristics of [a buy-and-hold stock](#). Aside from being the largest integrated energy company, Suncor takes pride in its dividend streak of 16 years. The financial resources are more than adequate to endure a rough patch.

In 2019, Suncor was able to generate \$2.6 billion in quarterly funds from operations. The \$10.8 billion year-end funds from the operation were a new record, considering the benchmark of oil pricing or WTI fell sharply by 12%.

The board recently approved an 11% increase in dividends for 2020. Expect further dividend increase because Suncor is aiming to grow its structural cash flow by \$2 billion annually by 2023. The current yield is 4.91%.

Create multiple income streams

All parties involved in the CPP are working together to find ways to have an affordable retirement savings plan. Until there's none, it would be to your advantage to create multiple income streams.

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