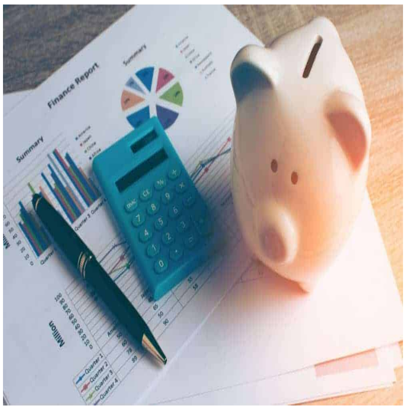

# Canada Revenue Agency: Don’t Forget This Big RRSP Change for 2021

## Description

Last week, the Canada Revenue Agency provided an update for the contribution limit towards the RRSP (Registered Retirement Savings Plan). The CRA raised the cap on the dollar amount that Canadians can contribute towards the RRSP in 2021.



According to Canada Revenue Agency rules, the maximum RRSP contribution limit for 2021 is $27,830, up from $27,230 in 2020 — an increase of $600. Canadians will now be allowed to contribute 18% of their income towards their RRSP and up to the maximum threshold limit of $27,830.

So, if you earn $100,000 a year, you can contribute $18,000 towards your RRSP. However, if you earn $180,000 a year, RRSP contributions will be capped at $27,830 in 2021.

## Which investments should you hold in your RRSP?

The RRSP contributions are tax deductible and can lower your tax bill. However, the contributions to this account can be leveraged by investing in blue-chip stocks such as **Algonquin Power &Utilities** ( TSX:AQN)(NYSE:AQN).

Investing in equity instruments remains the best bet for long-term investors given a low-interest-rate environment. Investors can add recession-proof stocks such as AQN, a company that is also growing at a fast pace.

Algonquin owns and operates a portfolio of regulated and non-regulated utility assets in Canada and North America. It sells electrical energy through non-regulated renewable and clean power-generation facilities. The company owns solar, wind, thermal, and hydroelectric facilities, as well as regulated electric, natural gas, water distribution, and wastewater collection utility systems.

AQN serves over 250,000 electric connections, 369,000 natural gas connections, and 168,000 water distribution and wastewater collection utility systems.

# Algonquin has a dividend yield of 3.9%

Algonquin is a company that has focused on developing renewable power assets. The shift to clean energy will be one of the most important drivers of the company's revenue growth in the upcoming decade. In the last year, Algonquin generated $1.6 billion in sales, and analysts expect sales to grow 11.3% to $1.81 billion in 2020 and by 14.1% to $2.06 billion in 2021.

This means it's trading at a forward price-to-earnings multiple of seven, which might seem expensive. Comparatively, its price-to-2021-earnings multiple of 29 also suggests that the stock is trading at a premium. However, the company is well poised to turn the growth of its unregulated renewable energy business into outsized returns for shareholders.

Further, AQN has also increased dividends by 126% since 2012, and its payout ratio remains below 50%, making these payments sustainable and allowing the company to invest in capital expenditure and repay debt.

Algonquin stock has more than doubled returns in the last five years, and an investment of $15,000 in this stock will generate $586 in annual dividends. It is a renewable company that focuses on deployment and ownership of long-term assets that will help it derive stable cash flows across business cycles.

Algonquin is a low-risk company with a strong balance sheet and a robust business model that is ideal for growth and income investors.



**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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2. TSX:AQN (Algonquin Power & Utilities Corp.)

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