



## This CPP Tax Credit Can Reduce Your Tax Bill by \$435 In 2021

### Description

Investors need to ensure they save enough over the years to lead a comfortable life in retirement even though the Canadian government provides residents with a couple of retirement benefits that include the Canada Pension Plan (CPP).

You can start contributing to the CPP once you earn over \$3,500 per year. If you are an employee, CPP contributions will be directly deducted from your income by your employer. However, you can deduct a part of your CPP contributions to reduce the overall tax liability.

### What's the CPP tax credit for 2020?

The CPP enhancement program was initiated in 2019 by Service Canada. Here, Service Canada aims to increase the CPP contribution rate and pensionable earnings in the next seven years. For 2020, the CPP contribution rate was increased to 5.25% on pensionable earnings between \$3,500 and \$58,700.

This indicates that the [maximum contribution to the CPP](#) for your income earned in 2020 stands at \$2,898 (5.25% of the difference between \$58,700 and \$3,500). For self-employed Canadians, this amount doubles to \$5,796.

Further, the Canada Revenue Agency allows a 15% deduction on your CPP contributions. This means the maximum tax credit for 2020 will be \$434.7 for any Canadian earning income above \$58,700.

### Invest savings in growth stocks such as Lightspeed

Canadians can invest these tax savings and buy growth stocks such as **Lightspeed** ([TSX:LSPD](#))([NYSE:LSPD](#)). Quality growth companies are the best bet to generate market-beating returns over the long run.

Growth companies including Lightspeed are well poised to increase revenue and earnings at a higher rate compared to the average business in that industry. Generally, these companies develop an

innovative product or service that gains traction allowing them to grow the top line at a fast clip.

These stocks also trade at a premium and their high valuation should not be a deterrent for long-term investors. For example, Lightspeed stock fell to a record low of \$10.5 per share in March. It has since recovered to trade at an all-time high of \$59.57, which means LSPD stock has returned close to 470% in less than eight months.

## Lightspeed can accelerate your retirement plan

Due to its potential to generate double-digit returns, growth stocks can accelerate your retirement plans. For example, a \$10,000 investment in **Shopify** stock during its IPO would have returned a staggering \$550,000 today.

You can see how a single company can grow your investment at an exponential rate and help generate wealth. In the fiscal second quarter of 2021, Lightspeed [increased sales](#) by over 60% year-over-year. It's focused on growing its customer base as well as expanding via acquisitions which will drive its top-line in the upcoming decade.

LSPD is part of the rapidly expanding digital payments and e-commerce market and owns an easily scalable business. The stock is trading at a forward price to sales multiple of 30 which is sky-high. It's also reporting an operating loss which makes it vulnerable in a broader market sell-off.

However, every market dip should be viewed as a buying opportunity to buy a quality growth stock at a lower valuation.

### CATEGORY

1. Investing
2. Tech Stocks

### TICKERS GLOBAL

1. NYSE:LSPD (Lightspeed Commerce)
2. TSX:LSPD (Lightspeed Commerce)

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