CPP $536.90 Increase in 2021: Your Paycheck Might Get Smaller!

Description

If you're looking to retire in the near future, you need every penny you can get. That makes the recent news that you could soon be seeing a smaller pay cheque hurt all that much more. This is because the Canada Revenue Agency (CRA) is increasing the Canada Pension Plan (CPP) yet again in 2021.

These contributions are set to continuing increasing between 2019 and 2023. Of course, the government couldn't have predicted a pandemic amidst an economic downturn. So this couldn't be worse timing. That's especially with layoffs continuing and the country racking on debt.

So let's dig into what exactly is going to happen to your CPP contributions by the CRA, and what you can do about it.

CPP: How it works

Back in June 2016, the government announced it would be making these increases to CPP. However, the CRA stated it wouldn't actually take affect until 2019. So, 2019 hit and CPP contributions were increased. So, in 2021 this will continue, resulting in a lesser pay cheque for individuals.

How? Every paycheque you have contributes to CPP, both from your pay cheque and from your employer. Most employers offer a matching program. Last year, the increase was 5.25%. So this year, employees and employers will contribute a further $268.45 more, or $3,166.45, in 2021. That's a total increase of $536.90, or $6,332.90 total, for the year, and that same amount off your paycheque.

Of course the goal is for Canadians to have cash available when they retire. This is a good thing! However, there are multiple variables to this. When you start taking out the cash, if you'll live long enough to see it all, and whether you could be investing that money instead and seeing larger returns.

What to do about it

It's simple. Invest in companies that can make up your shortfall. This means finding companies that could bring in an extra $6,332.90 in passive income for the year, or $536.90 per month. It's a simple solution but difficult to execute without the knowledge of safe investments.

If you're going to retire in the next few years, then a great option is to choose the energy sector. Oil and gas may be on the way out, but this isn't likely for several decades. Even if it is phased out, you'll still continue to see strong returns and sold passive income for the next several years at the very least.

A great option to consider is **Pembina Pipeline Corp.** (TSX:PPL)(NYSE;PBA). The company has invested in several growth projects to bring an end to the oil and gas glut across North America.

When it's up and running, the company should see shares soar to double what shares are now. Meanwhile, investors get an incredible 7.66% dividend yield dished out monthly.

Bottom line

To meet that $536.90 monthly goal, you would need to purchase 2,556 worth of shares. That would bring your total investment to $86,927 as of writing. That can't be done in your Tax-Free Savings Account (TFSA) alone.

However, you can either split the difference in your Registered Retirement Savings Plan (RRSP), or even better split it between you and your partner! You can then create a diverse portfolio, always recommended, while still bringing in that passive income every month, tax free!

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