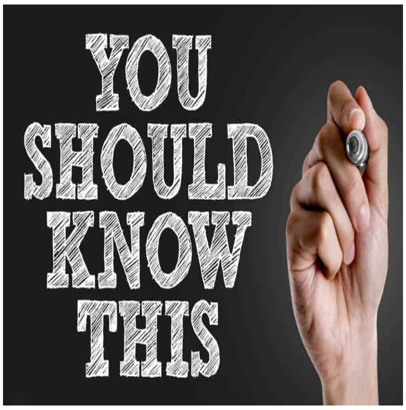

CRA: Prepare for This BIG RRSP Change in 2021

Description

Back in April, I'd discussed some important tips to consider for programs and accounts administered by the Canada Revenue Agency (CRA). One of the pieces I'd discussed was the upcoming Canada Pension Plan (CPP) enhancement. Today, I want to look at an upcoming change for the Registered Retirement Savings Plan (RRSP) that Canadians need to pay close attention to. Moreover, we'll look at two dividend stocks that are ideal for an RRSP portfolio. Let's dive in.

CRA: A big change for the RRSP

In early November, the CRA revealed that the RRSP dollar limit will be $27,830 for 2021 — up from $27,230 this year. These increases are always good news for investors. Back in the spring of 2019, I'd explained why it is more important than ever to make the most out of an RRSP. Defined-benefit pension plans are in steep decline in the private sector. The rise of the gig economy has led to a more flexible workforce, but it also means many Canadians will need to take a more active role in planning for retirement.

How should investors respond to this CRA enhancement?

Investors should look to make the most of this enhancement and target dividend stocks that are well positioned to thrive in the 2020s and beyond. North American markets have soared after a sharp pullback earlier in 2020. However, the COVID-19 pandemic has devastated many sectors of the economy. Canadians looking to secure their retirement should prepare for financial shocks in the years ahead. Moreover, contributing to an RRSP gives investors a tax break with the CRA.

Two stocks I'd stash in an RRSP in 2021

Emera (TSX:EMA) is the first stock I'd recommend for RRSP investors right now. This energy and services company has proven itself as one of the most reliable dividend stocks on the TSX in recent years. Its shares have held steady, climbing 2% in 2020. The company released its third-quarter 2020 results on November 13.

Net income rose to $84 million, or $0.34 per share, compared to $55 million, or $0.23 per share, in the prior year. In the year-to-date period, net income has surged to $665 million, or $2.70 per share, over $470 million, or $1.97 per share, over the same stretch in 2019. After this announcement from the CRA, RRSP investors should also be hunting for value.

Emera stock last had a price-to-earnings (P/E) ratio of 15 and a price-to-book value of 1.6. That puts this stock in favourable value territory. Better yet, it offers a quarterly dividend of $0.6375 per share. This represents a solid 4.6% yield.

BCE (TSX:BCE)(NYSE:BCE) is a top telecom stock that is worth holding in an RRSP for the long haul. Its shares have dropped 1.3% in 2020. In Q3 2020, BCE delivered 128,168 total wireless and postpaid and prepaid net customer additions. Wireless growth has been a key driver for telecoms, while the industry wrestles with widespread cable cutting. Cash flows at BCE posted 4.4% growth in the year-to-date period to $2.11 billion.

Shares of BCE possess a solid P/E ratio of 22. The company last announced a quarterly dividend of $0.8325 per share, which represents a strong 5.8% yield.

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aocallaghan