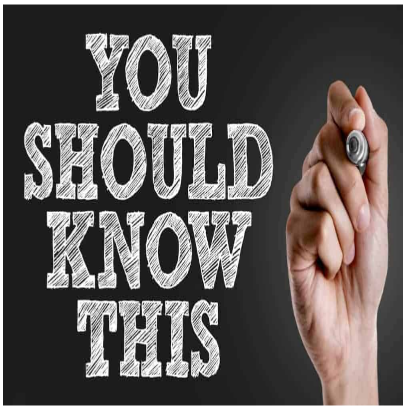


# CRA RRSP Update: 1 Major Limit Change in 2021

### Description

It’s safe to say that 2020 has been less than an ideal year. The turn of the decade brought about a global pandemic that threw off all our plans. Canadian retirees who were on track with their retirement plans might have seen the outlook of their plans thrown into flux.



Retirement planning was already in need of improvement before COVID-19 came along to make things worse. With barely half of Canadians having any disposable income while combating debt in September 2019, the situation is bleak.

Fortunately, the government has been hard at work in trying to help Canadians secure a better retirement. The Canada Revenue Agency (CRA) has recently made another update to the Registered Retirement Savings Plan (RRSP) to impact retirement plans for younger Canadians positively.

Today I will discuss one of the biggest RRSP changes coming in 2021 and how you can invest in a reliable dividend stock to take advantage of the update in the long run.

## Significant change to the RRSP

The CRA announced changes to the Canada Pension Plan (CPP) and the RRSP early in November. The government agency revealed that it raised the ceiling for CPP contributions. Additionally, it announced an increase to the RRSP contribution limit for 2021.

The RRSP contribution limit in 2020 was capped at $27,230. With the 2021 update, Canadians can contribute a dollar amount of up to $27,830 to their RRSPs. The $600 of additional contribution room might not seem like much to Canadians right now.

However, that same $600 contribution room used the right way can amount to a significant sum in the long run.

## A stock to take advantage of the change

The dollar amount of your RRSP contribution limit increased with this update. The update does not mean that you can only invest that much in cash, however. You can use the limit to invest in a portfolio of income-generating assets that can grow faster than cash in your RRSP. The **Bank of Nova Scotia** ( TSX:BNS)(NYSE:BNS) could be an excellent pick for this purpose.

Investing in a reliable dividend stock and holding it in your RRSP can help you take advantage of the tax-deferred growth of your capital in the retirement account. Rather than relying on interest income for the cash amount, investing in BNS can help you leverage its capital gains and dividend payouts.

BNS is one of the most impressive Canadian banks. The underlying financial institution has a significant international presence. As of Q3 2020, BNS' Canadian operations account for only 35% of its total revenue. The company is more focused on its international growth compared to its closest Canadian peers.

BNS has chosen the Pacific Alliance Countries (PAC), including Mexico, Chile, Peru, and Columbia. These Latin American countries are experiencing faster growth than Canada and the U.S. right now, allowing them to provide growing business to BNS.



## Foolish takeaway

Retiring rich is a matter of taking advantage of every opportunity you have right now. The additional RRSP contribution room is an excellent place to begin.

BNS is trading for $63.20 per share at writing with a juicy 5.44% dividend yield. At its current valuation, BNS is still trading for a 15% discount from February 2020. Adding a stock like BNS to your RRSP can help you grow your capital through its capital gains in a recovering market and its juicy dividend yield.

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