



## CRA CPP 2021 Update: Your Contributions Could Increase

### Description

Everyone looks differently at retirement. Some people wait for their retirement quite eagerly, so they can finally have the free time they crave to do the things they've always wanted to do, like reading, traveling, or a hobby. Others are wary of their retirement because they don't know how they will fill the time. For both types of retirees, the eventual comfort of their retirement is tied quite tightly to how well funded their retirements are.

There are several ways to save for a comfortable retirement. There is the RRSP, a tax-deferred account created specifically for this task. There is also the TFSA, which can help you grow your wealth tax-free, and which might allow you to "balance" your taxable income in your retirement years. But the growth of both these is subject to the movement of the stock market, growth rate, individual asset's value, and a number of other factors.

Unlike them, the CPP is constant. It won't run out. And even if you can't grow your CPP payouts beyond a certain level, you should try to maximize it. Some ways you can maximize your CPP contributions are under your control, and some aren't.

### Increased CPP contributions

The maximum CPP contributions you can make in 2021 will be \$3,166.45, and your employer will match your contributions by the same amount. It's calculated using the new ceiling amount (i.e., \$61,600 [increased from \$58,700 in 2020]), the employee and employer contributions rates of 5.45% (increased from 5.25% in 2020), and the basic exemption amount of \$3,500, which is the same as last year.

If you are self-employed, you can contribute double that amount, because you will basically be contributing as both the employee and employer.

### Other retirement funds

Apart from CPP and OAS pension (which is funded purely by the government), the best way to finance a comfortable retirement is to contribute generously to your RRSP and TFSA and invest in the right businesses. One of these businesses is **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)). It has been the [largest security](#) trading on the TSX for quite a while now, and it's also a dividend aristocrat.

As the premier banking institution in one of the safest banking sectors globally, Royal Bank of Canada doesn't just enjoy a significant share of the local business but has also been increasing its international footprint. The bank is safe, secure, and continuously growing.

Its dividend-adjusted 10-year CAGR is 11.26%. If you invest \$10,000 in the company now, and it manages to keep growing at the same rate for the next three decades, you may have a nest egg worth about a quarter of a million in your RRSP.

## Foolish takeaway

One of the most common ways of increasing the size of your CPP pension cheque is to [wait till you are 70](#) to start receiving your CPP payments. This wouldn't be easy to do if you retire by 65, lose your primary income source, and have to rely on your savings to sustain you until you decide to start your pension. It might be a good idea to start building a nest egg in your TFSA specifically for those five years.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)

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