



## Canada Revenue Agency: 1 CPP Pension Change That Might Upset You

### Description

The CPP program is one of the ways you prepare for your retirement. Unlike OAS, which is government-funded, and the RRSP contributions, which aren't mandatory, the CPP is compulsory, unless you earn less than the basic exemption amount (\$3,500). The CRA decides how much you need to contribute towards your CPP each year.

This year, the amount has been increased from 5.25% last year to 5.45% for 2021. And even though it's not such a hefty amount when it's taken from your wages throughout the whole year, and a higher contribution amount means that your employer will also be dishing out more, the change might upset you. Anything that makes your paycheque lighter (even just a small bit) is a legitimate worry.

But that's the wrong way of looking at things.

### Why the CPP change shouldn't upset you

Based on the new contribution rate, the maximum annual pensionable earnings (the ceiling), and the basic exemption amount, the maximum you need to pay next year would be \$3,166.45. That's if your income is at or above the ceiling. It's about \$265.5 more than last year's CPP contributions you had to make, but instead of thinking of it as more money out of your pocket, think about your future and that of others.

With more money in the pension plan, the CRA will be able to beef up the pension amount. This isn't just good for the people that are receiving the pension right now but will also be good for you when you are finally receiving your pension. Also, when you are already working, making up for that extra \$265 for the year isn't very difficult. You can even get that extra amount by investing part of your TFSA funds into a good dividend stock.

### A dependable Dividend Aristocrat

If you invest just \$7,000 in **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)), you will get about \$270 a year thanks to its

3.85% dividend yield. That's more than enough to cover the difference between your maximum CPP contributions last year and CPP contributions this year. And since Fortis is an Aristocrat with a remarkable 46-year streak [of growing dividends](#), the chances of this amount increasing over the years are solid.

Fortis is one of the blue-chip Dividend Aristocrats that have the potential of becoming one of the primary constituents of your dividend portfolio. And while its dividend streak is a compelling enough reason to add this Aristocrat to your assets, the nature of its business also endorses its safety and long-term potential. As a utility company, Fortis's revenues rely upon a very dependable income source (i.e., utility bills).

## Foolish takeaway

The CPP can be a powerful financial asset in retirement when you don't have the resources or time to grow your income. While your RRSP and TFSA nest eggs become smaller over time, the CPP remains the same. So, whatever increases the amount of the CPP payout can be a boon for your retirement income. You can also delay your CPP pension [till you are](#) 70 to increase the pension amount.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)

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### Date

2025/09/13

### Date Created

2020/12/18

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