3 Big CRA Announcements: TFSA, RRSP, and CPP Payments 2021 Updates

Description

Each year, the CRA gives Canadian taxpayers some New Year "gifts." These gifts include new contribution limits and mandatory contribution amounts. The new numbers help us prepare for the next financial years and give us crucial information we might need for tax preparations. This happens every year, and 2021 is no exception, even though it's following one of the most hectic years of the decade.

Avid savers and investors who seek to max out their TFSA and RRSPs every year keep a close eye on new contribution limits. If the limits are raised by a considerable amount, they have to adjust their savings rate. For 2021, here are the three most significant CRA announcements regarding contribution limits and pension payments.

The CPP payments

The CPP ceiling, or Maximum Pensionable Earnings amount, has been raised to $56,300 for 2021. It was $54,200 last year. The contribution rate for the next year has also been increased to 5.45%, up by 0.2% from last year's contribution rate. It's the most significant increase in the past two decades, but since the CPP contributions are spread out over the year, most taxpayers won't feel too much of an impact on their earnings.

The maximum RRSP contribution limit for 2021

The maximum RRSP contribution limit has been slightly increased for 2021. Last year, you could contribute a maximum of $27,230 to your RRSP (if 18% of your income exceeded that amount). For 2021, the maximum limit is slightly raised, and you can now contribute up to $27,830 to your RRSP. Since these contributions are tax deductible, you can catch a decent tax break if you max out your RRSP.

TFSA contribution limit 2021

Unlike the other two, the TFSA contributions haven't seen any change from last year. You could contribute $6,000 in 2020, and you can contribute $6,000 to your TFSA in 2021. It might seem a bit low, especially compared to the RRSP, but in the right stock, it can grow into a sizeable nest egg (given enough time). One right stock might be **GDI Integrated Facility Services** (TSX:GDI).

GDI offers a wide range of facility management services to various industries in Canada and the U.S. (21 cities in Canada and 13 cities in the U.S.). It has a market capitalization of $753.9 million and an enterprise value of over $900 million.

GDI has a very strong balance sheet, and it has been growing its revenue at a decent pace for nine consecutive quarters. The company doesn't pay any dividends, but its powerful growth rate more than makes up for this limitation. It has a five-year CAGR of 24.5%. And if it can keep this up for just one decade, it can grow your $6,000 investment into a $50,000 nest egg.

Foolish takeaway

If you can't save enough to max out both your TFSA and the RRSP, then you have to create a plan for asset allocation. The simplest route to take is to max out your TFSA (since these are funds that you can always access) and put the remaining savings into your RRSP. But unlike an RRSP, the TFSA contributions are made from after-tax dollars, and you can't deduct them from your taxes.

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