



CRA: 3 Big Changes to the TFSA, RRSP, and CPP Pension

Description

The results of the survey by Leger for the Association for Canadian Studies show that 70% of Canadians are somewhat optimistic about 2021. First, the federal government is looking after its people's physical health with the ongoing COVID-19 vaccination campaign.

Second, the new emergency recovery benefits ensure that Canadians can maintain their [financial well-being](#) in light of the pandemic's disruption of work and employment. The third are the big changes from the Canada Revenue Agency (CRA) that takes effect this year.

TFSA contribution limit

Tax-Free Savings Account (TFSA) users will have an additional or fresh contribution room with the new \$6,000 limit for 2021. The amount is the same as in 2019 and 2020. For those who have never contributed to a TFSA but are eligible since the investment account's introduction in 2009, the cumulative contribution room is now \$75,500. As always, the CRA indexes the annual contribution room to inflation.

RRSP contribution limit

Registered Retirement Savings Plan (RRSP) users will also see their contribution limits increase this year. From \$27,230 last year, the maximum amount in 2021 is now \$27,830 (+2.2%). An RRSP serves as a [tax-saving tool](#) because contributions are deductible, and, therefore, taxpayers use them to reduce tax bills.

Furthermore, a higher income spouse or common law partner can contribute to an RRSP of a lower-income spouse or common-law partner to derive a significant tax reduction in taxes. As long as you keep the funds in your RRSP, money growth is tax-sheltered. The CRA will only tax you upon withdrawal of funds.

CPP contribution rates

The Canada Pension Plan (CPP) enhancements are ongoing, and contribution rates have been gradually increasing since 2019. For 2021, the employer and employee contribution rate is 5.45%, from 5.25% in 2020. The contribution rate is double, or 10.5% for the self-employed.

Because of higher contribution rates, the year's maximum pensionable earnings (YMPE) is \$61,600 instead of \$58,700. Assuming you're 65 and start your CPP pension, the average monthly pension is \$689.17 (October 2020). If you have contributed enough, the maximum payment is \$1,203.75 per month.

Best-quality stock in the telco space

Amid the cabin fever due to lockdowns, Canadians have been saving during the pandemic. Households aren't spending that much, so there's free cash. Apart from saving money, some are investing to create passive to have more financial cushion. An attractive income stock this year is **TELUS** ([TSX:T](#))([NYSE:TU](#)).

Canada's second-largest telco is the best-quality stock in the telecommunications space. The \$34.25 billion firm generates stable cash flows that support dividends. At \$26.55 per share, the dividend yield is a respectable 4.69%. Similarly, this telco stock is an eligible investment in either the TFSA or RRSP.

TELUS continues to build out its 5G network that should be fabulous once complete. Aside from enjoying an oligopoly, the company is taking a divergent path from rivals **BCE** and **Rogers Communications**. TELUS Health is now the largest healthcare IT provider in Canada.

On January 8, 2021, TELUS International filed an IPO proposal in the U.S. stock market. The subsidiary is a leading digital customer experience innovator. It designs, builds and delivers next-generation solutions for global and disruptive brands. Exciting times are ahead for TELUS indeed.

Utmost priorities in 2021

Public safety and continued critical support for displaced Canadians is among the Canadian government top priorities in 2021. All of the CRA changes are equally beneficial too.

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