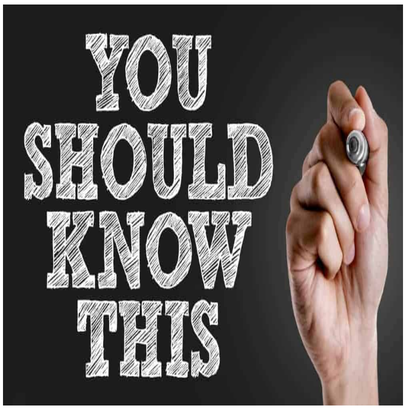

CPP Premiums: 1 Huge 2022 Change

Description

Canada Pension Plan (CPP) users are paying more than initially planned in 2022. The self-financial plan of Canadians enters the fourth year of enhancement, although the percentage increase in premiums this year is the largest in 30 years.

Federal Conservative Leader Erin O'Toole and some business groups want the government to delay the implementation. They argue that families and households are already hurting due to the economic fallout from the pandemic and rising inflation.

Absolute amounts

The yearly maximum pensionable earnings (YMPE), or the earnings ceiling, will increase to $64,900 (+5.3%), not $63,700. Instead of $3,166.45 in 2021, the maximum contributions by employees and employers will be $3,499.80 each in 2022.

The maximum contribution amount is $6,999.60 from $6,332 last year if you're self-employed. Employment Insurance (EI) premiums will likewise increase effective January 1, 2022.

Larger bite due to the pandemic

The larger bite from paycheques in 2022 is pandemic related. The average weekly earnings have jumped because a small number of lower-income workers returned to work (back half of 2020 and the first half of 2021). If you recall, the federal government and provinces approved the multi-year plan five years ago to boost retirement benefits through increasing contributions over time.

Dan Kelly, president of the Canadian Federation of Independent Business, said about the CPP premium increase, "We think this is deeply unfair." He insinuated the formula to compute for contribution amounts should have a COVID adjustment. However, deferring the increase is improbable, because it requires the approval of Parliament and seven provinces.

Offset the premium increase

Some CPP users offset the premium hikes with investment income from companies with extremely consistent dividend payouts. Since the effective CPP monthly increase in 2022 is $27.82, a $6,680 position in a stock that pays at least 5% should offset or negate the impact. All you need is a $13,340 investment in a stock that pays the same dividend yield if you're self-employed.

Investment options

BCE (TSX:BCE)(NYSE:BCE) and **Rogers Sugar** (TSX:RSI) are reliable dividend payers. Canada's largest telco generates billions of dollars annually, while sugar is a consumer staple. You'll also get the utmost benefit if you hold the stocks in a Tax-Free Savings Account (TFSA) or Registered Retirement Savings Plan (RRSP).

Investors can expect growing dividends from BCE, given that the telco stock has raised its dividends by at least 5% every year since late 2008. Financial stability is never in question, because the $59.77 billion company is the most dominant player in an oligopoly. The stock trades at $65.87 and pays a lucrative 5.3% dividend.

Rogers Sugar delivered a solid performance in fiscal 2021 due to the steady demand for sugar and maple. However, the $627.31 million company anticipates further improvement in financial performance because of stronger demand and improved margins for sugar and maple syrup.

Mike Walton, president and CEO of Rogers and Lantic Inc., said the financial performance should improve in 2022 when operating conditions and more traditional and profitable sales mix returns. Interestingly, the share price ($6.01) and dividend yield (6.03%) of Rogers Sugar is nearly identical.

50% increase in CPP pension

According to the Department of Finance, the CPP enhancements will raise the maximum CPP retirement pension by 50% over time. Young Canadians or those new to the workforce will benefit the most.

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