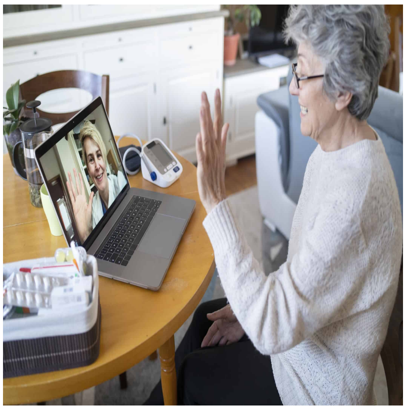

Canadian Retirees: Supplement Your CPP With This Blue-Chip Dividend Stock

Description

The Canada Pension Plan, or CPP, has increased the maximum pensionable earnings to $64,900 in 2022, up from $61,600 in 2021. So, contributors who earn higher than $64,900 this year are not permitted to make additional contributions to the CPP. The basic exemption amount remains the same at $3,500 for 2022.

What is the CPP contribution rate for 2022?

Now, employee and employer contribution rates have increased to 5.70% compared to 5.45% in 2021. For self-employed individuals, the contribution rate stands at 11.4%, up from 10.9%.

So, the maximum contribution an employee can make to the CPP in 2022 is $3,499.90, and for self-employed Canadians, this amount doubles to $6,999.60.

The CPP enhancement will continue to rise till 2023 when the contribution rates will stand at 5.95% for both employees and employers. The enhancement in the Canada Pension Plan should replace a third of an individual's pre-retirement income, up from the prior figure of 25%.

Canadians should understand that the amount of monthly pension received under the CPP depends on multiple factors, including the age you decide to start the pension contributions, the length of these contributions, and the average working earnings during employment.

In 2022, the maximum amount a new recipient starting pension at the age of $65 can receive is $1,253.59, while the average payout stands at $727.61.

Its quite evident that Canadian retirees will need multiple income streams to support a decent standard of living on retirement. One way to create passive income is to buy and hold blue-chip dividend stocks such as **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) that will help retirees earn a steady stream of recurring dividend income. Let's see how.

TD Bank stock offers a dividend yield of 4%

In recent months, shares of Toronto-Dominion Bank have moved lower due to a challenging macro environment. Rising interest rates act as a hindrance for individuals and businesses, resulting in lower demand for mortgages and personal and commercial loans. But it also positively impacts the bottom line of lending companies and banks.

Right now, TD Bank stock is down 19% from all-time highs, increasing its dividend yield to a tasty 4.16%. Investors should note that several Canadian banks, including TD, maintained their dividend payouts across business cycles, including the financial crash of 2008. Comparatively, peers south of the border, such as **Citigroup** and **Bank of America**, cut their dividend payouts due to a weak balance sheet.

Most Canadian banks are fairly conservative, allowing them to grow their earnings at a sustainable pace. TD ended the most recent quarter with a common equity tier-one (CET1) ratio of 14.7%, which is higher than the ratios of 11.4% and 10.4% for Citigroup and Bank of America, respectively. The CET1 ratio measures the ability of a bank to wither an economic downturn, and a higher number is considered better.

A well-capitalized balance sheet should provide enough confidence to long-term investors. While a recession might send the alarm bells ringing, the lower-risk profile of TD Bank makes it a top bet right now.

The Foolish takeaway

Investing $100,000 in TD stock will allow you to generate $4,160 in annual dividend income. If TD increases its dividend by 5% annually, the payout will increase to $6,750 in the next 10 years.

TD is just one example of a blue-chip stock. Investors should identify similar companies that enjoy a leadership position, derive stable cash flows, and have the ability to increase earnings consistently over time to diversify their dividend portfolios.

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