



CRA: 2 CPP Changes Canadian Investors Need to Know for 2023

Description

The Canada Pension Plan, or CPP, is a monthly taxable benefit that aims to replace a portion of your income when you retire. Typically, the amount Canadians receive each month during retirement is based on multiple factors, such as the average earnings throughout your working life, contributions to the pension plan, and the age at which you decide to start the retirement pension.

What are the CPP changes for 2023?

Here are two important changes to the CPP Canadian investors need to know for 2023. First, the maximum pensionable earnings under the CPP for 2023 will increase to \$66,660 from \$64,900 in 2022.

The Canada Revenue Agency explained the increase in CPP accounts for the growth in weekly wages and salaries in the country. Contributors who earn over \$66,600 next year are not permitted to make additional contributions to the pension plan. Further, the basic exemption amount remains unchanged at \$3,500.

Next, the contribution rate for employees and employers will rise to 5.95% in 2023, up from 5.70% in 2022. For self-employed individuals, the contribution rates will double to 11.90% next year from 11.4% in 2022. So, the maximum employer and employee contribution rates will rise to \$3,754.45 in 2023 compared to \$3,499.80 in 2022.

Canadians can also claim a 15% tax credit on their CPP contributions. So, if you contribute \$3,754.45 towards the CPP next year, you can lower the tax bill by almost \$562 (15% of \$3,754.45). For self-employed individuals, this tax credit will double to \$1,124. Let's see how you invest the savings from the CPP tax credits and build wealth over the long term.

Use the CPP tax break to purchase blue-chip TSX stocks

Canadians can invest savings from the CPP tax break to purchase blue-chip stocks such as **Brookfield Asset Management** (TSX:BAM.A). One of the largest alternative asset managers globally,

BAM is valued at a [market cap](#) of US\$73 billion. Down 20% from all-time highs, BAM has returned 2,300% to investors in the last two decades. So, an investment of \$1,000 in Brookfield Asset Management in November 2002 would be worth almost \$25,000 today after adjusting for dividends.

With more than US\$750 billion of assets under management, BAM provides investors exposure to several sectors such as real estate, clean energy, private equity, credit, and infrastructure. The company aims to deliver risk-adjusted returns to its clients and shareholders by managing a wide range of public and private investment products and services.

BAM earns asset management income in the form of fees for providing these services. As it has access to large-scale capital, Brookfield Asset Management can invest in sizeable assets and businesses across geographies and asset classes.

Despite a challenging macro environment, Brookfield Asset Management increased its funds from operations by 30% year over year to US\$1.2 billion in the third quarter. The strength of the asset management business drove fee-based earnings higher by 20% to US\$531 million compared to the year-ago period.

BAM also pays investors annual dividends of US\$0.56 per share, indicating a forward yield of 1.2%. These payouts have increased at an annual rate of 8.4% in the last 20 years.

Due to its excellent record, Brookfield Asset Management's inflows in the third quarter totaled US\$33 billion, allowing the company to increase its fee-bearing capital by 19% to US\$407 billion.

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