



## How to Profit From a Surging U.S. Dollar

### Description

About two years ago, the Canadian dollar traded at par with the United States dollar. Since then, a surging American economy, plummeting oil prices, and a Bank of Canada interest rate cut have sent the loonie plunging. As of this writing, our currency is worth roughly US\$0.80.

The general consensus is that the loonie will fall further. Unless oil prices recover, the Bank of Canada could easily cut rates again. Meanwhile, the Federal Reserve could raise interest rates if the U.S. economy continues to perform well. Some have even predicted the loonie could fall below US\$0.70. This would not be pleasant if you're planning a trip to Florida.

That being said, this is also a tremendous opportunity for Canadian investors. Below we take a look at how to properly bet on the greenback.

### Dividend stocks: RRSP only!

Let's say you're looking at some high-yielding Canadian stocks. Many of these companies also trade in the United States. For example, **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)) has a dividend yield of more than 6%, and can be bought with U.S. dollars.

But here's the key: you shouldn't hold the American-listed shares (i.e., the NYSE:TAC shares) in a taxable account. If you do, you'll be subject to a 15% withholding tax on American dividends. You can get that money back, but it's a pain. And you definitely don't want to hold any US dividend-paying stocks in a tax-free savings account (TFSA), where that withholding tax can't be recouped.

Instead, you should hold these shares in a registered retirement savings plan (RRSP), where there is no withholding tax at all. Better yet, your dividends are not taxed by the Canadian government either (until you eventually withdraw the money).

### Dividend-free stocks: Better for a taxable account

Now let's say you're interested in buying **BlackBerry Ltd.** ([TSX:BB](#))(Nasdaq:BBRY) shares. Like TransAlta, BlackBerry has its shares listed in both Canada and the U.S. But unlike TransAlta,

BlackBerry pays no dividend. This changes where you should hold the stock.

First of all, without a dividend, there is no withholding tax to worry about. So that takes away the RRSP's effectiveness. Second, BlackBerry is a fairly risky stock; it could take off or suffer big losses.

So let's say you hold BlackBerry in a taxable account. If the stock takes off, then you will incur a big capital gain, but this income is treated very favourably by tax authorities. And if the stock tanks, you can use those losses to offset capital gains elsewhere.

If you hold the stock in an RRSP, then any big capital gains will be taxed at full rates once you withdraw from the account. And any losses cannot be used to offset gains from other investments. So you definitely should hold BlackBerry in a taxable account, assuming you have one.

### **So what next?**

First of all, make sure that any RRSP contributions you want to make for 2014 are done by the end of this month. You should also talk to your financial advisor if there's anything you're confused about. Until then, this was only meant to provide an illustration of your options.

Of course, you don't just have to buy Canadian companies with American stock listings. You can also buy American companies. The free report below provides three ideas to get you started.

### **CATEGORY**

1. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:BB (BlackBerry)
2. NYSE:TAC (TransAlta Corporation)
3. TSX:BB (BlackBerry)
4. TSX:TA (TransAlta Corporation)

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