Consistent Investing Is the Way to a Comfortable Retirement

Description

This year some people contributed to their RRSPs close to the deadline at end of February for the 2015 year. You'd be doing yourself a favour if you regularly contributed a set amount to your RRSP.

In fact, you can set it up automatically with your bank, such that a set amount gets deducted from your chequing account every month. If you save $250 a month, you'll end up saving and investing $3,000 for the year.

Of course, make sure you have that much RRSP contribution room. If you have more room than that and you have more money to save, you can contribute more. I'm sure your future self will thank you later.

The RRSP allows you to invest in a tax-deferred environment, so your investments can grow without the hindrance of taxes until you retire or until the year you turn 71 years old.

What should you invest in?

The RRSP is a great place to hold high-yield U.S. common dividend stocks because there isn't a 15% withholding tax on foreign dividends. However, if you dislike having to pay a foreign exchange of 30% to convert Canadian dollars to U.S. dollars, you might instead invest in Canadian dividend stocks with high growth or high-yield stocks that keep pace with inflation.

Enbridge

Enbridge Inc. (TSX:ENB)(NYSE:ENB) is a dividend stock with high growth. At under $50, the energy infrastructure leader yields 4.3% and has increased its dividend for 20 consecutive years. And in the last five years, it managed to increase its dividend by 17% per year on average! This year it hiked its dividend by 14%, and its payout ratio is expected to be 47-56%.

Enbridge's $26 billion secured growth program is anticipated to continue to grow its available cash flow from operations by 12-14% on average per year through 2019, which will support its target of growing dividends per share by 10-12% on average per year. Any unsecured developments and new opportunities can offer further upside to these forecasts.

Plaza Retail

Plaza Retail REIT (TSX:PLZ.UN) is often off the radar of investors because it only has a market cap of under $430 million. However, you may be surprised that it is one of two real estate investment trusts (REITs) in Canada that has increased its distribution for 13 consecutive years.

At about $4.60 per unit, Plaza Retail generates an above-average yield of 5.6%, and in the last five years it increased its distribution by 5.4% on average. This year it increased its distribution by 4%.

Since REITs pay out distributions that are like dividends but taxed differently, some investors avoid the tax-reporting hassle by buying REITs in RRSPs.

Investors may also be interested to know that in non-registered accounts, the return of capital portion of REIT distributions is tax deferred until unitholders sell or adjusted cost basis turns negative.

Conclusion

Since RRSPs allow our investments to grow in a tax-deferred environment, it makes great sense to hold quality companies such as Enbridge and Plaza Retail in an RRSP account, especially if you have a long time horizon before you retire or turn 71.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:PLZ.UN (Plaza Retail REIT)

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