# The Best Stocks for Your Non-Registered Accounts

## Description

Non-registered accounts are best for holding high-yield dividend stocks and growth stocks. This might sound contradicting. However, investors can benefit by investing in both categories.



The first category offers immediate income, which can be reinvested in the same stock, invested in other stocks, or used to pay the bills. The latter category offers higher growth potential in the long run, which can deliver higher returns.

**Dividends are taxed favourably**

Eligible Canadian dividends are taxed favourably in non-registered accounts. That is, the dividends are taxed at a lower rate than the income from your job. So, it makes sense to hold Canadian dividend stocks in non-registered accounts.

For dual-listed companies, such as **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), it doesn't matter if you buy the stock on the Toronto Stock Exchange or New York Stock Exchange; Canadian investors will still get the full dividend.

However, foreign dividends are a different story. If you earn U.S. dividends in a non-registered account, typically, you'll get 15% less right off the bat, as it'll be withheld by the U.S. That said, you'll get a foreign tax credit on the paid tax when you file your taxes. So, at the end, you'll essentially be paying your marginal tax rate on the foreign dividend.

**What’s considered high yield?**

A stock with a yield of 7% or higher could spell trouble — either the dividend might get cut or there could be some big issues with the company or the industry it’s in.

For safer investing, go with dividend-growth stocks that offer yields of 3-5%. They can be one of the best long-term investments with below-average volatility.

**Growth stocks**

Only half of the realized capital gains are taxed at the marginal rate. So, you only pay taxes on the gains if you sell your stocks. If you don’t book your gains, you don’t pay taxes.

**Alimentation Couche Tard Inc.** (TSX:ATD.B) has been growing at largely a double-digit rate. If you had held the stock for about five years, your position would be four times as big now! So, a $10,000 position would have grown to $40,000. And I didn’t count the dividends! More growth is expected to come as the company integrates its acquisitions.

Although Couche Tard only yields 0.55% today, the company has been growing its dividend at a high pace. Its five-year dividend-growth rate is 29.3%. However, its payout ratio is still very low at 12%.



**Investor takeaway**

Investors should keep watch on a list of quality dividend or high-growth companies, including Canadian Imperial Bank of Commerce and Couche Tard, and buy them when they’re priced at good valuations.

Non-registered accounts are a good place to hold them. However, you should invest in Tax-Free Savings Accounts first with these caveats in mind.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

**PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

**Category**

1. Dividend Stocks

2. Investing

**Date**
2025/09/07
**Date Created**
2017/12/27
**Author**
kayng