Why It’s More Important Than Ever to Maximize Your RRSP

Description

Earlier this month I’d discussed a **Bank of Montreal** (TSX:BMO)(NYSE:BMO) report that revealed 32% of respondents did not know the difference between a TFSA and an RRSP. The report also revealed a troubling but common trend; it found that 34% of RRSP holders had withdrawn money before the age of 71. Many of these withdrawals did not fall under the Home Buyers Plan (HBP), which can be used by first-time home buyers.

In the coming years it will be increasingly important to take maximum advantage of your RRSPs. In late October I’d discussed the decline of defined-benefit (DB) pension plans. Present trends indicate that DB pensions plans will drop to near zero in the private sector by the middle of the next decade. Those saving for retirement will be under increased pressure to build and manage their own portfolios in the coming years.

The overuse of RRSP withdrawals does indicate that Canadians are getting serious about paying down their debt, but in the long-term, this is a dangerous habit. In a few decades the TFSA and the RRSP may be one of the few vehicles offered to Canadians when it comes to saving for retirement.

What kind of stocks should RRSP investors be targeting right now? BMO stock is a nice start. The Montreal-based bank has seen its stock climb 16% in 2019 as of close on March 19. Shares are up 5.2% year over year. BMO has benefitted from its strong US footprint. In Q1 2019 the bank reported a 42% year-over-year increase in adjusted net income to $454 million.

BMO has achieved seven consecutive years of dividend growth. Currently the bank offers a quarterly dividend of $1.00 per share, which represents a 3.8% yield.

Badger Daylighting (TSX:BAD) has been a top tier growth stocks over the past several years. Shares have surged 24% in 2019 as of close on March 19. The stock is up 69% from the prior year.

Badger is a stock that offers an attractive mix of explosive capital growth potential and a little bit of income, which should pique the interest of investors looking for targets for their RRSP. The company recently released record fourth-quarter and full-year results for 2018.

Badger reported a 35% year-over-year increase in revenue in Q4 2018 to $171.5 million. The company has posted impressive domestic and US-based growth, and projects this to continue in fiscal 2019. Badger's unique business model looks well positioned to carry the company into a very profitable 2019 and beyond.

In the fourth quarter, Badger announced a 6% dividend increase, and now offers a monthly dividend of $0.0475 per month. This represents a modest 1.3% yield. Still, given its growth trajectory, this yield is a nice boon for investors.

Canadians are facing a changing employment landscape that will dramatically impact the way they save for retirement. Investors should get ahead of the game and prepare for this inevitability by maximizing their RRSP use early and often.

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