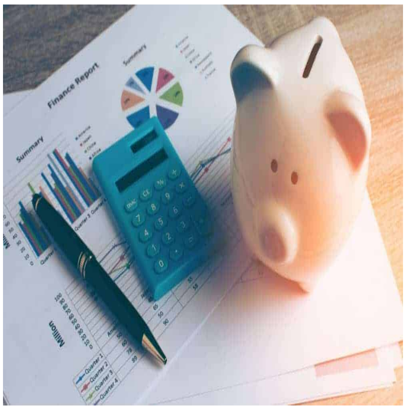

2 RRSP Stock Picks for 2020

Description

Canadian investors are using self-directed RRSP accounts to buy quality stocks as part of their retirement planning.

The contributions can be used to reduce taxable income, so the RRSP is particularly useful for investors who are in higher tax brackets.

You still pay tax on the funds when they are removed from the RRSP, but the tax is charged at your marginal tax rate in retirement. With a bit of planning, this would normally be lower than when you made the initial contribution.

Let’s take a look at two stocks that might be interesting RRSP picks for 2020.

Fortis

Fortis (TSX:FTS)(NYSE:FTS) is a utility company based in eastern Canada with $50 billion in assets located in the United States, Canada, and the Caribbean.

Management has done a good job of growing the business over the years through strategic acquisitions. Fortis also boosts revenue through investment in organic projects. This includes the current five-year $17.3 billion capital program that will greatly increase the rate base through 2023.

Fortis has raised its dividend every year for more than four decades and intends to hike the payout by 6% per year over the medium term.

The stock should do well in 2020, as interest rates are expected to fall in Canada and the United States. This reduces the company’s borrowing costs for loans and makes the stock more attractive to income investors who might otherwise put their money in GICs.

The current dividend provides a yield of 3.3%.

Barrick Gold

Gold stocks have been a disappointment for most of the past eight years, but the next decade could be a very different story.

Interest rates are falling across the planet, as governments try to boost economic growth, and the world is entering a new and untested era, where a significant chunk of government debt has drifted into negative yields.

Central banks have limited firepower to battle the next global recession and a race to devalue currencies could be underway.

Trade wars and heightened geopolitical risk could be the norm for some time, and adverse economic effects from changing weather patterns can’t be ignored.

All of this should be positive for gold in 2020 and beyond.

Gold is reclaiming its position as a reliable safe-haven asset to protect capital in times of economic uncertainty. Zero-yield gold is more attractive than negative-yield government bonds, and paper money might be losing its lustre.

On the supply side, new resource-rich deposits are becoming harder to find, and the recent increase in consolidation in the gold industry could continue until the market is essentially controlled by just two or three gold mining giants.

Barrick Gold already owns five of the planet’s top 10 mines. The company stands to benefit significantly from rising gold prices, and while the stock is already up 100% in the past year, it still appears cheap given the extent of the gold rally in recent months.

The bottom line

Fortis and Barrick Gold are performing well in the current environment and should be attractive RRSP picks heading into 2020. If you have some cash to put to work, these stocks deserve to be on your radar.

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