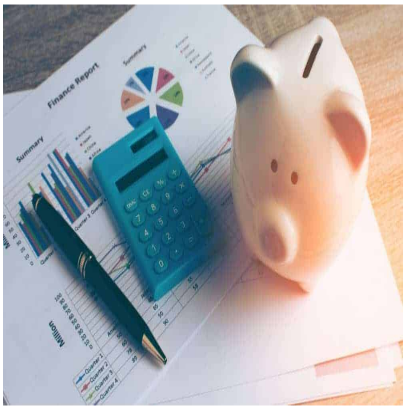

RBC (TSX:RY) Wants You to Rethink Your Savings Plan

Description

Canadian investors have far too little savings invested in high-interest assets like stocks, corporate bonds, and even Government Insured Certificates (GICs). Canadians miss out on tax-free saving and retirement benefits when they keep their hard-earned income in low-interest accounts. You can still lazily invest your savings by devoting a mere 15 minutes of investment activity per month.

Especially with a 3.95% prime rate in Canada, and the U.S. Federal Reserve chair Jerome Powell's recent decision to cut interest rates to 1.75% on Wednesday, Canadians need to find a way to protect their nest eggs from inflation.

The trick is to determine the difference between short- and long-term savings. Canadians should maintain their emergency savings in GICs. Certificate terms of 30- to 60-days offer up to 2.5% interest with a minimum investment of $1,000. Not only do they earn higher interest than savings accounts, but they also force savings discipline; you won't be able to spend the money frivolously throughout the month.

Establish an emergency account with six months' worth of expenses in GICs which you can roll over every 30 to 60 days into new short-term certificates. Then find around three reliable high-dividend stocks to tuck away long-term savings you won't need for five or more years. **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) and **Royal Bank of Canada** (TSX:RY)(NYSE:RY) are great options for beginner Canadian investors interested in high-return saving options.

Royal Bank of Canada

Royal Bank of Canada is, by far, the superior option out of the two. RBC reports higher diluted earnings per share (EPS) than Toronto-Dominion at $8.77. Moreover, with a beta of .97, RBC is less volatile and will likely better protect your principal balance.

RBC is the most trusted bank in Canada for a reason. The bank has established a solid reputation for transparency and loyalty to stakeholders, including its customers. Interest rate uncertainty and trade war tensions between the U.S. and China are weighing on financial stocks like RBC, but the bank understands and can navigate the political landscape confidently.

Toronto-Dominion Bank

TD is genuinely one of the safest Canadian banks. Additionally, its dividend provides investors with an annual yield of 3.85% at the stock’s current price of approximately $77. Although more volatile than RBC, Canadian savers could do well with Toronto-Dominion in their retirement portfolio.

Toronto-Dominion, like RBC, have taken notice of the interest rate uncertainty and trade war concerns and have taken precautions in their investments to safeguard Canadian interests. If given a choice between a professionally managed portfolio, Canadians would be better off investing long-term savings in Toronto-Dominion rather than paying high fees to have a third party make investments on your behalf.

Foolish takeaway

RBC is more profitable than Toronto-Dominion not only on a per-share basis, but RBC’s last reported gross profit is $492 million more than Toronto-Dominion’s. Canadian investors may find that RBC will give them higher risk-adjusted returns over the long run than Toronto-Dominion. While true, Toronto-Dominion offers high value to shareholders, a $6.29 EPS, and a trailing price-to-earnings ratio of 12.22.

Either bank stock will give aspiring retirees a good bang for their buck without the low returns and high-fees associated managed funds. Even better, low-return savings accounts should never hold unneeded cash. So, take a look at your savings today and see how you can implement these tips into your finances to grow your wealth and live better.

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