Get Retirement Ready With an RRSP

Description

RRSPs are one of the best ways for investors to save for their golden years. The RRSP was created to help individuals save for retirement and defer tax liabilities until their later years. This is why it's usually recommended for higher earners, and lower earners should stick to maxing out their TFSA first.

There are many web sites that will calculate where your income falls on the range and how you may want to play it for your personal preferences.

If you pay a high tax now and believe you will pay a lower marginal tax rate in the future, then you will want to defer some of that tax you'd pay now until retirement. Understanding this important factor can make a world of a difference when it comes to your retirement age, and the last thing you will want to do is end up paying more tax than you should have.

This is especially true because if you accidentally contribute to your TFSA and want to withdraw the money, it's not a big deal, but if you want to withdraw money early from an RRSP, you will be heavily penalized.

The one thing you can withdraw money from the RRSP early for is buying a home for the first time. Buyers are eligible to withdraw up to $25,000 with the commitment that they will contribute it back to the account within a certain amount of time.

These are just general guidelines, of course, and investors should always seek a second opinion from your financial advisor, who can go over it in detail more closely with you to include all details of your finances.

It's also worth noting that investors who save enough money can contribute to both the RRSP and TFSA if they wish.

Both are extremely helpful tools that should be used by all investors in Canada and maxed out before you are investing in non-registered accounts.

One stock that would be perfect for all investors' RRSPs is **Canadian National Railway** (TSX:CNR)(NYSE:CNI

).

Canadian National is a classic blue-chip stock. It’s an ideal choice for retirement funds, because its assets and operations are so entwined in the economy.

It is a massive cash flow machine that will reward investors for years. What’s most impressive about Canadian National is the consistency of those numbers and margins.

Its return on equity is consistently around 25% and its operating margin is consistently about 45%. Furthermore, its dividend-payout ratio is kept right around 30%.

You know what you are getting with a company like Canadian National: strong, consistent earnings generated from a service that’s been around for a long time and isn’t going anywhere anytime soon.

Currently, Canadian National has come off its highs and is trading at a decent little discount. Its price to earnings is less than 20 times and its dividend is yielding about 1.8%.

Bottom line

Taking advantage of registered accounts is the first step in setting yourself up for retirement. Once you have figured out your tax situation and decided which registered accounts you will contribute to, then it becomes time to pick your stocks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:CNR (Canadian National Railway Company)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/27
Date Created
2019/09/24

Author
danieldacosta