Married Couples: Boost Your After-Tax RRSP With This 1 Superb Trick

Description

Your RRSP is a fantastic retirement tool, but there are a lot of the ins and outs that you might not be aware of. Before you start pouring a lot of money into your RRSP, it pays to know all the neat tricks you can do to save on taxes. When you finally reach retirement age and are ready to withdraw money from your RRSP, you can have more after-tax dollars to travel and spoil your grandchildren.

I want to highlight one particularly neat trick that can help you minimize paying your RRSP taxes.

Spousal RRSP

If you have a spouse or common-law partner and one of you earns significantly more than the other, consider contributing to a spousal RRSP. The scenario you want to avoid is, if one person has a much larger RRSP by the time they retire, when they start to withdraw the RRIF payments, that person will be taxed very heavily.

If you instead contribute to a spousal RRSP to even out the payments, you will end up with a more equal RRSP, and since you fall into a lower tax bracket, both people should be taxed much less overall.

If you are going to withdraw from a spousal RRSP, you must keep in mind the attribution rules. Mainly, if you take out the money within three years that the other spouse contributes to your RRSP, the income will be attributed back to the original spouse. Just keep in mind that if withdrawing from a spousal RRSP, wait three years since the last contribution.

What to invest in inside your RRSP

A long-term view is best for your RRSP for several reasons. The main reason is that you should be thinking of your RRSP as a very long-term investment. Another reason is that even if you want to take out money from your RRSP, you'll be taxed so heavily on early withdrawal that it is rarely worth it to do so. So, what types of investments work best for your RRSP? Turn to high-yield dividend stocks such as **Canadian Utilities** (TSX:CU).

CU is a stable, diversified $10.36 billion utility company that has been rewarding investors with dividends since 1950. The company is capable of sustaining high dividend payouts regardless of economic conditions. Canadian Utilities holds the record of increasing dividends for 47 straight years.

The company boasts a 4.45% dividend and a 10-year compound annual dividend-growth rate of 9%. Those numbers are high and show a very healthy dividend-growth rate. If the stock's dividend-growth streak continues, you'll have the opportunity to further grow your retirement funds for many years to come.

Looking to the future, the company plans to invest $3.5 billion in regulated utilities in Australia and Canada in 2019-2021. CU is also trying to capitalize on the electric vehicle market by setting up charging stations in 2019 and 2020. I'm sure many long-time investors of Canadian Utilities have been happy that they have chosen it.

Conclusion

If you're part of a married couple, look closely at doing a spousal RRSP and invest in high-yield dividend stocks. It could make quite a difference later on when you start taking out money to enjoy your golden years of retirement.

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