Canada Revenue Agency: 3 Smart Ways to Use Your RRSP

Description

This month I've discussed some [tips for Canadians] when it pertains to their registered savings plans. Today I want to look at three ways Canadians can use some tools at their disposal to save bundles down the line.

Use an RRSP Home Buyers' Plan

The RRSP Home Buyers' Plan should be of particular interest to millennial investors. Many are still waiting to enter the housing market, and this plan is specifically catered to help out with scrounging up a down payment in the near term.

Canadians know how high valuations have soared in this real estate market, especially in major metropolitan areas. The introduction of this plan is good timing for many investors who are looking to enter it.

Originally, the Home Buyers' Plan allowed Canadians to borrow up to $25,000 from their RRSP to buy their first home. This year the Liberal government opted to increase this limit to $35,000, which is great news for prospective buyers. When you borrow from the Home Buyers' Plan, you will have to pay the money back over a 15-year period.

Married? Consider a Spousal RRSP

For Foolish readers who are married, there is one great way to reduce your tax payments. The first way is to contribute to a spousal RRSP. In our hypothetical, we will focus on Lisa and John. Lisa has an annual RRSP limit of $10,000. She has the option of contributing to John's RRSP.

Because he has a lower annual income, Lisa will get a tax deduction at a higher rate than Lisa would by contributing to her own account. When Lisa and John take out the cash in retirement, they will be able to withdraw from their respective RRSPs, allowing Lisa to go forward at a lower tax rate.

Use the RRSP over-contribution limit

In November I'd discussed how TFSA over-contributions could really cost investors in the long term. Fortunately, the RRSP allows more flexibility in this regard. In 1995, the Canadian government reduced the one-time over-contribution limit to $2,000 from $8,000.

This is mainly designed to act as a buffer for investors who may make a miscalculation. There are investors who deliberately over-contribute, keeping this limit in mind, in order to take advantage of tax-deferred growth and compounding. However, as you draw closer to retirement you must remember to declare those over-contributions.

1 dividend stock for your RRSP today

As we keep these helpful tips in mind, we should also consider a stock that would be at home in an RRSP. **Enbridge** (TSX:ENB)(NYSE:ENB) is one of my favourites in a portfolio geared for the long term.

Shares of Enbridge have climbed 25.8% in 2019 as of early afternoon trading on December 13. The stock has achieved average annual returns of 10.8% over the past decade. These reliable capital gains have coupled nicely with its income offering.

The company has put together a stellar 2019 so far. It won a key regulatory battle in Minnesota for its Line 3 Replacement Project.

In the year-to-date period for 2019 Enbridge has reported Adjusted EBITDA of $10 billion compared to $9.5 billion for the same period in 2018. Distributable cash flow has increased to $7.1 billion over $5.7 billion in the prior year.

Enbridge last paid out a quarterly dividend of $0.738 per share, which represents a strong 5.8% yield. The company has delivered dividend-growth for over 20 years, making it an elite dividend payer on the **TSX**.

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