



## TFSA or RRSP: Which One Suits You Best in 2020?

### Description

The Tax-Free Savings Account (TFSA) and the Registered Retirement Savings Plan (RRSP) are excellent savings and investing tools available to Canadians to save money.

There are similarities between the two, although each plan has its own dynamics. Before choosing the one that suits your financial realities, there are some essential factors to consider.

### Money growth

The TFSA appears to be the better option if you belong to the lower-income bracket (less than \$40,000) or new in the workforce. You can [maximize the tax-free benefits](#) by investing in a fast-growing renewable energy company that pays a 5.83% dividend.

**Pinnacle Renewables** (TSX:PL) is a \$341 million company operating in an industry with significant upside in the future. The company offers something unique in the renewable energy sector.

Rather than energy sources like solar, hydro, and wind, Pinnacle provides wood pellets to thermal power generators to produce renewable power. Although this type of power generation is still in the infancy, the company is aiming to establish an industry foothold.

At present, it has seven facilities in Western Canada and one production facility in Alabama. The company is planning to construct another industrial wood pellet production facility (Demopolis Facility), which is near its Aliceville Facility in Alabama.

The Demopolis Facility should be producing an annual volume of 360,000 metric tonnes once operations begin by the second quarter of 2021, the end products will be sold through its contracted backlog of long-term, take-or-pay off-take contracts.

If you place \$25,000 worth of Pinnacle shares in your TFSA, you can expect to receive \$1,457.50 intax-free earnings yearly. You will not incur tax penalties for as long as you don't exceed thecontribution limits. Also, there's no maximum age limit for contribution.

## Disciplined preparation

The RRSP was designed primarily for retirement. In 2020, it gives you a maximum contribution of \$27,230 compared with the \$6,000 contribution room of the TFSA. Your withdrawals, however, are tax-deductible, and you can contribute up to age 71.

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), or Scotiabank, is the third-largest bank by market capitalization. This \$88.34 billion bank is a reliable blue-chip stock given its 187-year dividend track record.

Please diversify your holdings and don't just invest in one stock, the following is an example only: Assuming you invest \$27,230 in BNS, you can potentially earn \$1,353.33 yearly from its 4.97% dividend.

In the next 12 months, analysts covering the stock are forecasting a gain of 14% (\$71.99 to \$82). Scotiabank has been raising dividends for eight consecutive years, while its five-year dividend growth rate is 6%.

Scotiabank has a strong international presence and its assets abroad are still growing. This bank has a commanding presence in the markets of Latin America and the Caribbean.

Further expansion in these regions should fuel growth and enable the bank to maintain a competitive edge outside Canada's shores.

With BNS as a core holding, there's an assurance of regular income stream for decades to come.

## Complementing plans

You can use the TFSA alongside the RRSP, depending on your circumstances. The TFSA is the faster way to grow money, while the RRSP is [a disciplined approach](#) to retirement.

A young growth company like Pinnacle Renewables and an established financial institution like Scotiabank are good investment choices, whether for a TFSA or RRSP account.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

### TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. TSX:BNS (Bank Of Nova Scotia)

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