RRSP Contribution: A Top Stock to Consider Ahead of the 2020 Deadline

Description

Canadian savers are clearing up the last bills from the holiday season and sitting down to decide how much cash they have left to contribute to their RRSP.

The contribution deadline for the 2019 tax year is March 2, 2020. That isn't too far away, and investors are beginning to evaluate some of the stocks they might buy with their additional RRSP funds.

The RRSP is facing competition with the TFSA these days. Ideally, you will be able to max out your contribution space for both. In the event that isn't the case, the decision on where to put your savings depends on your current tax bracket and how soon you think you will need the money.

The RRSP would be the better choice for investors who are near peak earning levels in their careers and intend to leave the money in the RRSP to grow for the long haul with a plan to tap the funds in retirement.

Let's take a look at one stock that might be an interesting contrarian pick right now for a diversified RRSP portfolio.

Barrick Gold

Gold bulls have finally had something to cheer about in the past eight months. The price of gold rallied from US$1,300 in late May a recent high above US$1,600 per ounce, and more gains could be on the way.

The main driver behind the latest surge is rising geopolitical tension between the United States and Iran. The U.S. elevated the stakes in the ongoing conflict when it killed a top Iranian general in Iraq. Iran responded by firing missiles at U.S. bases in the region, and that has led to additional sanctions being imposed by the Americans.

The region was already at risk of a military conflict after Saudi Arabia's oil facilities were attacked in September. Any hint that war could break out would likely drive gold higher in the coming months.

At the same time, the phase-one trade deal between China and the United States should have been negative for gold demand, but the yellow metal has increased in price since the agreement was announced. Pundits expect difficult negotiations to continue and additional tariffs or a stoppage of discussions would help support gold demand.

Finally, the world is in uncharted territory with trillions of dollars worth of government debt trading at negative yields. This trend is not expected to reverse course in the near term, and the situation could get worse. Gold becomes a more attractive place to store wealth when the alternative is to lose money lending it to governments.

Gold stocks tend to offer better upside torque than the metal itself, and **Barrick Gold** (TSX:ABX)(NYSE:GOLD) appears attractive right now, given the positive momentum in the gold market and the company's large production base. Barrick owns five of the top 10 mines on the planet and has one of the industry's lowest-cost structures. The longer gold maintains or extends its gains, the better Barrick Gold's margins will be on its sales.

With more than five million ounces of gold production, a US$200 increase in the price of gold adds US$1 billion in cash flow on an annualized basis. Gold miners are not known for being free cash flow machines, but that could change.

The Q4 2019 results should be strong, and investors might want to add a bit of Barrick Gold stock to their RRSP portfolios while the share price remains relatively cheap. A dividend increase could be on the way in 2020, and the stock has solid upside potential on an extension of the gold recovery.

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aswalker