Forget RRSPs: Why the TFSA May Be the Perfect Retirement Account for You

Description

When investing your money as a Canadian, the number one thing you'll want to do is max out your registered investment accounts, such as your TFSA and RRSP.

For some investors, depending on their income level and tax considerations, it may make sense to max out an RRSP first, but for the majority of investors, the goal should be maxing out the TFSA.

Besides differences for investors in terms of tax considerations, the TFSA has a number of advantages over the RRSP, such as unlimited tax-free withdrawals of money, with the only negative being that you have to wait for the next calendar year to redeposit the money.

Another main advantage of the TFSA is the significant amount of contribution room that it offers investors.

Once you are able to max out your contribution room, it continues to offer you $6,000 a year in new contribution room, which will end up growing over time with inflation. $6,000 is the perfect amount, as it equates to $500 a month in savings — a reasonable amount for someone that's committed to saving their money and investing for a future goal.

With the TFSA, many investors will be starting their nest egg for retirement; however, because you can withdraw money at any time, you don't have to solely focus on super long-term goals.

Instead you can be saving and investing to grow your money for something that's five or 10 years down the line.

Another major advantage that may be the most important difference between the TFSA and the RRSP is that when you withdraw money from the TFSA, it doesn't count as income.

This is especially major for investors using their TFSA into retirement, as you can withdraw as much as you want when you want without having to worry about triggering any OAS clawbacks.

One stock that's a great investment and should make up a core portion of your portfolio, regardless of your investing timeline, is **Rogers Communications** (TSX:RCI.B)(NYSE:RCI).

Rogers is one of the largest companies in an industry that continues to become a staple in our economy. Its business is broken down into its wireless, wireline, and media businesses, which account for 67%, 30% and 3%, respectively, of its earnings before interest, taxes, depreciation, and amortization (EBITDA).

The company has been investing in new infrastructure projects to build its footprint and improve some of its old infrastructure ahead of the 5G rollout.

When 5G is introduced, it will bring along with it a whole host of new possibilities and give major telecom stocks like Rogers a huge runway for growth over the long term.

Another important reason you'll want to buy Rogers is because the company is a cash cow, with a five-year average return on equity more than 24%, plus, as evidenced by the numbers, the company has shown the ability to report strong and consistent EBITDA growth over the long term.

Since 2014, the company has grown its EBITDA by more than 25%, or a compounded annual growth rate of just under 5%.

This has raised the share price by nearly 45% in the last five years in addition to driving some dividend growth. The dividend yields just over 3% today and has a payout ratio of just 50%.

You can gain exposure to Rogers, one of the top telecoms in the country, at a cheap valuation of below nine times its enterprise value to EBITDA and a price to earnings of just 16 times.

And if you use your TFSA to make the investment, you won't ever have to worry about paying a single penny in tax on your Rogers investment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

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