



RRSP 2020 Deadline: 2 Top Canadian Stocks for Self-Directed Pension Investors

Description

The deadline for making final [RRSP](#) contributions for the 2019 tax year is March 2, 2020.

With just over a month to go, Canadian investors are pulling together their paperwork and deciding how much money they can add to their retirement fund.

The RRSP first came into existence in 1957 and has evolved over the years to become an important part of the retirement-planning process for most Canadians. Interestingly, the RRSP was originally set up to help Canadian workers who might not have company pensions.

The recent trend toward contract work and employment in the gig economy makes the RRSP arguably more important for helping Canadians set aside adequate cash for retirement than at any time since it was first introduced.

Defined-benefit pension plans are disappearing, and defined contribution plans might not be adequate to cover retirement needs.

RRSP contributions can be used to reduce taxable income, and the investments grow tax-free inside the accounts. Investors pay tax when the funds are withdrawn, but that is normally decades later, and ideally at a lower tax rate than would have been applied to the initial contributions.

Let's take a look at two stocks that might be interesting picks today for a self-directed RRSP portfolio.

TD

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) has been a favourite choice among investors for years, and those who have held the stock for a couple of decades have enjoyed some fantastic returns.

A \$10,000 investment in TD just 25 years ago would be worth more than \$325,000 today with the dividends reinvested.

The bank is widely considered to be the safest choice among the largest Canadian financial institutions due to its heavy focus on retail banking activities. The personal banking, commercial banking, and wealth management sectors tend to be more reliable drivers of income than more volatile segments of the banking industry, such as capital markets activities.

TD's large U.S. presence gives investors good exposure to the American economy, and the bottom line can get a nice boost when the U.S. dollar is rising against its Canadian counterpart.

TD has a compound annual [dividend-growth rate](#) of about 11% over the past two decades. Ongoing increases to the payout should be in line with expected annual earnings-per-share gains of about 7-10% over the medium term.

The current dividend provides a yield of 4%.

Barrick Gold

Barrick Gold ([TSX:ABX](#))(NYSE:GOLD) has been out of favour with investors for the better part of nine years after an expensive buying binge on assets loaded up the balance sheet with a mountain of debt right before the bottom fell out of the gold market.

Management has worked hard to get the debt down from US\$13 billion to net debt of US\$3.2 billion at the end of Q3 2019. The board raised the dividend late last year, and Barrick recently indicated full-year 2019 production came in at 5.5 million ounces, putting output near the top of the guidance range.

The price of gold has increased from US\$1,300 in late May 2019 to a recent high above US\$1,600 and currently trades at US\$1,570.

The coronavirus outbreak is the latest event to fuel demand for safe-haven assets. Increased tensions in the Middle East and the ongoing trade battle between China and the United States have all contributed to the rally over the past eight months.

Going forward, the global trend toward negative interest rates could be the main driver of additional gold gains. The yellow metal is increasingly viewed as a safe place to protect wealth, especially when lending to the government starts to cost you money.

Barrick appears cheap today at \$24 per share and has significant upside potential if gold extends its recovery through 2020 and into next year.

The bottom line

TD and Barrick Gold are leaders in their industries and should be solid picks for a balanced RRSP portfolio.

The **TSX Index** is home to many top stocks that deserve to be on your RRSP radar, and some are finally starting to look reasonably priced.

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1. Bank Stocks
2. Investing
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1. NYSE:B (Barrick Mining)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:ABX (Barrick Mining)
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