



## RRSP Season: A Top Stock to Help Canadian Investors Retire Wealthy

### Description

The 2020 [RRSP deadline](#) for making contributions for the 2019 tax year is just over a month away.

By March 2, Canadian savers have to make their final RRSP decisions to take advantage of the reduction in 2019 taxable income that is possible using the contributions.

The RRSP deduction limit is 18% of annual income. Company pension contributions reduce the amount of space people have available, and the limit is capped. The maximum for 2019 was \$26,500 and for 2020 is \$27,230.

Unused space can be carried forward, and many people reserve RRSP contribution space for years when they expect to be in a higher marginal tax bracket. With some careful planning, investors can grow the funds tax-free inside the RRSP for decades and then pull the money out when they are in a lower tax bracket than they were at the time of the initial contributions.

Which stocks should you buy?

[Dividend stocks](#) have a long history of being solid picks for RRSP portfolios, especially when the distributions are used to buy additional shares.

Let's take a look at one top Canadian stock that might be an interesting pick to start a balanced RRSP wealth fund.

### Bank of Nova Scotia

**Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) is Canada's third-largest bank with a market capitalization of \$88 billion. The bank gets the bulk of its revenue and income from its Canadian operations, just like its peers, but Bank of Nova Scotia also has an interesting international strategy that could prove to be very rewarding for investors in the coming decades.

Bank of Nova Scotia has invested billions of dollars to buy banks and credit card portfolios in Latin

America, with a particular focus on Mexico, Peru, Colombia, and Chile.

At first glance, investors might scratch their heads, wondering why a conservative Canadian bank would want to get involved in countries that are best known for battles with drug cartels and have histories of economic chaos and political uncertainty. Even today, these economies are reliant on commodity prices, and global investors are still concerned about government policy changes and social instability.

Despite the perceived risks, there is also significant growth opportunities. The four countries make up the core of the Pacific Alliance trade bloc that enables the free movement of goods, capital, and labour among the members. They have even connected their stock markets.

With a total population of more than 225 million, the bloc represents a consumer market that is six times the size of Canada's and is significantly underbanked. As middle-class wealth expands, Bank of Nova Scotia is in a good position to capitalize on demand for loans and investment products.

The international operations contribute about 30% of total net income and that should increase, as Bank of Nova Scotia makes additional acquisitions in the region.

At home, Bank of Nova Scotia is building its wealth-management capabilities. The bank recently made two large acquisitions in the Canadian market and has set up a new Global Wealth business unit.

The company has a strong track record of dividend growth, and the distribution should rise in step with earnings. The current payout provides a yield of 5%.

A \$10,000 investment in Bank of Nova Scotia 25 years ago would be worth \$250,000 today with the dividends reinvested.

## The bottom line

There is no guarantee that Bank of Nova Scotia will generate the same returns over the next 25 years, but the stock remains an attractive pick for a diversified RRSP portfolio.

The **TSX Index** is home to many top stocks that pay reliable and growing dividends and deserve to be on your retirement radar.

### CATEGORY

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