



## Canada Revenue Agency: 2 Steps to Stay Ahead of the CRA With Your RRSP

### Description

Taxes are thorns to those with a Registered Retirement Savings Plan (RRSP). Instead of disputing with the CRA, account holders are using two steps, not only to [lessen the impact](#) but to stay ahead.

### Build retirement wealth early

Besides using the RRSP to build retirement wealth, any contribution to the account means a reduction in your taxable income by the same amount. But for purposes of building a nest egg, it's essential to invest early and pick stocks that offer gradual, steady long-term money growth.

**National Bank of Canada** ([TSX:NA](#)) and **Magna** ([TSX:MG](#))([NYSE:MGA](#)) should be great additions to your portfolio. Both are not high flyers, but the returns could be significant in 2020.

The Big Five banks in Canada reported mediocre financial results in Q4 2019, along with a steep increase in loan-loss provisions and huge restructuring charges. Only National Bank, the sixth-largest Canadian bank, was far from the gutter.

This \$24.7 billion bank was impressive for posting double-digit increases both in return on equity (ROE) and earnings per share (EPS). Its international business rose by 22%, which was one of the reasons for the 4% dividend hike. The current yield stands at a respectable 3.87%.

Because of its foothold in Quebec, the bank is can endure industry headwinds. The province has an above-average economic performance and should stay the course given the sustained business spending as well as the favourable labour growth.

National Bank's dominance in Quebec is the ace up its sleeves. The housing market is not as piping hot like in Toronto or Vancouver. Therefore, the mortgage business is not prevalent, which makes the bank's portfolio less prone to a housing bubble.

Expect Magna to do better this year than in 2019. The global auto industry's slump should be over with the trade war jitters gone. This \$21.3 billion company supplies the parts to most of the leading

automakers in the west.

Operations in China are also expanding. Magna recently sealed a partnership to supply electric vehicles (EVs) in the potentially biggest EV market in the world. The company likewise built three auto parts plants in the country.

Expect Magna to be a dominant player in the advanced driver-assisted systems (ADAS), which EVs, autonomous, or driverless vehicles need. The company's global market share in camera-based ADAS products is growing as the average annual volume is now 12 million, including sensors and other ADAS gears.

Magna is ahead of the competition in cameras, which is a valuable component of ADAS products. Automakers should be spending about US\$81 billion on ADAS and related gear by 2025. Since Magna practically supplies to all automakers, exponential growth is inevitable.

## Defer tax deductions

Some tax advisors recommend not claiming the tax deduction on your RRSP contributions in the few years just before you retire. You'll need those deductions the most when your income is higher.

## Be a step ahead

The [tax bite in your RRSP](#) comes every time you withdraw. However, if you can contribute early with stocks like the National Bank of Canada and Magna, you could stay ahead of the CRA and still enjoy the lifestyle of a working person.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:MG (Magna International Inc.)
3. TSX:NA (National Bank of Canada)

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