Canada Revenue Agency: 3 Tips to Help Before the RRSP Deadline

Description

The deadline for RRSP contributions for the 2019 calendar year is fast approaching. For investors who are unaware, the RRSP contribution deadline is on March 2, 2020. If you have not made the contributions that you want to so far this year, there is still plenty of time to get your affairs in order.

After the deadline passed for 2018 contributions, I'd discussed why it is so important for Canadians to take advantage of their RRSP room in the present day. Today I want to explore three tips that investors should think about before the RRSP deadline.

Know your contribution room

This is a relatively easy rule to follow, but we are all guilty of carelessness on occasion. Investors can look at their previous notice of assessment (NOA). It will show your available contribution room on the deduction limit statement.

Better yet, investors who have signed up for an online CRA account can simply login and scroll down the main overview page. At the bottom it should show your RRSP and TFSA contribution room for the given year.

Similar to the TFSA, investors should not beat themselves up if they are unable to max out their contribution room. Every little bit helps, especially for those just starting out.

Be a bad consumer

This was one of my big tips in the summer of 2019. Some of you will have received bonuses over the holidays or to start this calendar year. It can be very tempting to spend a windfall on a big trip or that item that you have been looking at online for the past six months. Instead, stay your hand and put that chunk of change to more productive use!

Contributing to an RRSP is a great way to bank on your future and also provides a tax boon for your next return. Investors who choose to service debt early in the year also can’t go wrong.

Target RRSP-friendly stocks

Finding out which stocks work best in your RRSP depends in large part on the individual investor. Young investors with a long time horizon may want to be more aggressive and stash growth-oriented equities.

On the other hand, investors who are closer to retirement will want to stick to a more conservative portfolio that offers stability and consistent income. I am in my twenties and tend to be more aggressive with my investment style, but I still value stable dividend payers.

Hydro One (TSX:H) is a stock I love as this decade gets going. Shares have climbed 34% year over year as of close on January 29. The stock struggled in recent years due to strife with its public-private ownership.

Central banks had undergone a rate tightening path that was also driving investors away from income-yielding equities like utilities, real estate, and telecoms.

That all changed in late 2018 and early 2019. Central banks backed off and committed to the historically low interest rate environment as global economic pressures built.

Hydro One has been a beneficiary of this soft rate outlook. It has also put together a solid fiscal 2019. In the year-to-date period to the end of Q3 2019, Hydro one reported adjusted diluted earnings per share of $1.18 compared to $1.08 in the prior year. Investors can expect to see its Q4 and full-year results in late February.

The stock last paid out a quarterly dividend of $0.2415 per share, which represents a 3.6% yield.

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