



RRSP 101: Top TSX Index Stocks to Start a Self-Directed Pension

Description

The 2020 deadline for making RRSP contributions for the 2019 tax year is March 2.

Canadian investors can contribute 18% of their income into RRSP accounts, up to a maximum set by the Canada Revenue Agency (CRA). The [RRSP](#) deduction limit for 2019 was \$26,500 and is set at \$27,230.

Unused contribution space can be carried forward. This is helpful as it enables Canadians to take advantage of the extra room in years when they might have a big boost in income.

Many companies have bonus structures that can vary significantly each year. In addition, people who receive commission income might have a year that is much better than their average results.

Funds placed in a corporate Registered Pension Plan or a Deferred Profit-Sharing Plan count toward your 18% limit, so it is important to keep this in mind when determining the amount you plan to add to your RRSP.

Canadians can contribute to RRSP accounts until December 31 of the calendar year they turn 71. The RRSP is then converted to a Registered Retirement Income Fund (RRIF).

Owning the stocks of industry leaders that pay attractive [dividends](#) and have solid growth potential is one popular strategy to build RRSP wealth.

Let's take a look at two stocks that might be interesting picks to launch a balanced RRSP portfolio.

Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is a giant in the Canadian financial sector with a market capitalization of \$150 billion and fiscal 2019 adjusted net income of \$12.9 billion. That's right, Royal Bank generates more than \$1 billion in profits per month!

The company has a balanced revenue stream coming from several segments in the industry, including personal and commercial banking, wealth management, capital markets, insurance, and investor and treasury services.

Royal Bank's U.S. operations contribute about 17% of total profits and the bank has operations in more than 30 countries.

Royal Bank is investing in new technology to help drive more clients to its mobile and digital services, which helps reduce costs while ensuring the bank remains competitive in the digital era.

The bank is targeting average annual income gains per share of 7-10% over the medium term. Investors should see the dividend continue to grow in the same range. The current payout provides a yield of 3.9%.

Nutrien

Nutrien ([TSX:NTR](#))([NYSE:NTR](#)) is the planet's largest supplier of potash. The company also produces nitrogen and phosphate. The crop nutrients are sold on wholesale contracts to countries and at spot prices in smaller quantities in the commodity markets. Nutrien also has a retail division that provides seed and crop protection products to farmers around the world.

The stock had a rough run in 2019 due to a series of weather anomalies that hit demand for its products. Wet spring conditions in the United States and a late arrival of the monsoon in India contributed to a slowdown in sales.

Low palm oil prices hurt buyers in Indonesia and China suspended potash imports later in the year.

As a result, Nutrien temporarily shut down some production capacity and had to reduce guidance for the year. The stock has fallen as a result, giving investors an opportunity to pick up the shares at an attractive price.

The long-term outlook for the company should be positive. Demand for food will rise with a growing global population, which means farmers will need more fertilizer to boost crop yields.

Nutrien's current dividend provides a 4% yield. When commodity prices and sales rebound, the company should generate significant free cash flow.

The bottom line

Royal Bank and Nutrien are industry leaders that give investors exposure to both Canadian and international growth. If you are searching for top-quality companies to start a diversified RRSP fund these stocks deserve to be on your radar.

The **TSX Index** is home to several top companies that have helped investors build significant wealth for retirement.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. NYSE:RY (Royal Bank of Canada)
3. TSX:NTR (Nutrien)
4. TSX:RY (Royal Bank of Canada)

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