



## RRSP 2020: Where to Invest before the Deadline

### Description

A Registered Retirement Savings Plan (RRSP) is a savings account, and the contributions to this account can be tax deductible. This means any income earned in the RRSP will be exempt from tax until withdrawal. The deadline for contributing to your RRSP deadline for the previous tax year is (2019) on March 2, 2020. You can claim a deduction for contributions made to your RRSP.

An RRSP can be set up with any major financial institution such as banks, insurance companies, or credit unions. The RRSP deduction limit is the unused deduction room at the end of the preceding year (if any) plus 18% of the income earned in the previous year, or the annual RRSP limit of \$26,500 (whichever is lower).

For example, in case you earn \$100,000 a year, you can contribute \$18,000 annually to the RRSP. Further, as these contributions are tax deductible, you will be taxed by the Canada Revenue Agency on an income of \$82,000 instead of the \$100,000. However, in case you earn over \$149,000, the maximum contribution limit for the RRSP stands at \$26,000.

For 2020, this limit has been increased to \$27,230. Investors need to ensure they don't overcontribute to their RRSPs. In case your contributions exceed the RRSP deduction limit by more than \$2,000, you have to pay a tax of 1% per month on the excess contribution.

Any income you earn in the RRSP is exempt from tax, as long as they remain in the plan. The RRSP holder will be taxed on withdrawal. This account is really useful for investors who want to set aside additional cash for the retirement years and avoid paying taxes right now. These contributions can be used to reduce taxable income for the relevant financial year.

As investors need to hold RRSP accounts for a long period of time, they are ideal for equity investments that generate substantial wealth in the long term. Investors can look to allocate their funds in growth stocks such as **Dollarama** ([TSX:DOL](#)).

### A solid wealth creator

Dollarama stock has been one of the safest bets for investors in the last decade. We have seen that [\\$1,000 invested in the Dollarama IPO](#) would be worth close to \$13,000 today. In the last 12 months, the stock has returned 10.5% compared to the S&P 500's returns of 19.4%.

Dollarama is Canada's most popular dollar store. It has a market cap of \$12.2 billion and an enterprise value of \$15.8 billion. Dollarama has over 1,200 stores in Canada with an average area of \$10,275 square feet.

Investors can expect the company to generate solid returns in the upcoming decade, too. Dollarama is all set to benefit from its acquisition of Dollarcity, which gives the company access to Latin America's high-growth markets of Columbia, Guatemala, and El Salvador.

Dollarama is somewhat a recession-proof company that is growing sales at a fast clip. Analysts expect company revenue to grow by 6.8% to \$3.79 billion in 2020 and by 7% to \$4.05 billion in 2021. This top-line growth will give a boost to the company's profit margins. Analysts expect company earnings to grow at an annual rate of 11.4% in the next five years.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)

## PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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## Author

araghunath

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