RRSP Investors: Hurry! Just 7 Days Left to Make 2019 Contributions!

Description

Are you an RRSP investor looking to claim some RRSP tax deductions for 2019?

Then you've got seven days left to do so: the deadline for making previous year RRSP contributions this year is March 2.

That leaves you with enough time to get some savings together and claim a deduction to get a nice tax break come April. That's one step to saving on taxes this year. The next is knowing what to buy with your contribution. As you may know, tax deductions are only one of several tax benefits that come with an RRSP. Another big one is the potential for tax-free gains and dividends. By holding stocks or ETFs in your RRSP, you can watch them grow tax-free, leading to significant tax savings.

If you're planning on making an RRSP contribution before the deadline, here are three investments to consider buying with your contributed funds.

Fortis

Fortis is Canada's largest publicly traded utility company. It supplies power in markets across Canada, the U.S., and the Caribbean. The company is well known for its 46-year streak of dividend increases — the longest of any company on the TSX. Over the next five years, Fortis will be embarking on a $18.3 billion capital spending program. This program will replace and upgrade aging infrastructure and increase the company's reach into remote communities. If successful, the program will help drive new revenue that could send Fortis stock higher. The stock pays a dividend that yields 3.3% at current prices and is slated to increase 6% next year.

iShares S&P/TSX 60 Index Fund

iShares S&P/TSX 60 Index Fund (TSX:XIU) is Canada's most popular index fund. Based on the TSX 60, it's comprised of the 60 largest publicly traded Canadian companies by market cap. This composition helps you in two ways: first, a 60-stock portfolio has a healthy amount of diversification;

second, a focus on large caps reduces the risk associated with smaller equities. Many of the stocks that make up the TSX 60 are banks and utilities, both of which (at least in Canada) are known for their stability.

The aforementioned lack of risk is one great reason to consider XIU for your RRSP. Another two big reasons are low fees and high dividend income. The fund has total fees of just 0.18% — small enough that you won't notice them — and a dividend yield of 2.8%.

Vanguard S&P 500 Index ETF

Vanguard S&P 500 Index ETF (TSX:VFV)(NYSE:VOO) is one of the world's most popular index funds. It tracks the S&P 500, a popular index of 500 U.S.-listed stocks. Compared to the TSX, U.S. indices have higher historical capital gains but lower average dividend yields. This makes VFV/VOO a great fund for investors who are looking mainly for price appreciation.

This fund is extremely low cost, with even lower MER than XIU, at just 0.08%. Over the life of the fund, it has returned 14.39% a year on average, which is absolutely phenomenal for an index ETF. The dividend income is a little low at 1.3%, but the capital gains potential is incredible. Finally, if you buy this fund on a U.S. exchange and hold it in your RRSP, you'll pay no withholding tax on the dividends.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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