



Optimize Your RRSP for a Millionaire Retirement

Description

Your [RRSP is a pretty special](#) vehicle for long-term savings. It has potentially more contribution room than your TFSA and is meant to be a long-term savings vehicle. The second “R” in RRSP, after all, stands for retirement. Investors, therefore, need to put assets in this vehicle that they want to hold for the long term.

Stocks for your RRSP

There is an easy answer to the question of what you want to hold in this particular savings vehicle. That answer is that you should put anything in there that you will hold for the long term. If you only have enough of an investment for your registered accounts, fill them up with any investment you want to hold.

This includes dividend stocks, growth stocks, ETFs, mutual funds, bonds, or any other investment you intend to hold for the long run. Essentially, the first thing you want to do is fill up your tax-advantaged accounts.

Any stock that has a fully taxable distribution or a complicated distribution structure should also be included in this list. **Brookfield Property Partners** ([TSX:BPY.UN](#))(NASDAQ:BPY) is an example of a stock in this category. The stock is a limited partnership, which makes its distribution a lot more complicated than its dividend-paying counterparts. Putting this company into an RRSP saves a lot of headaches at tax time.

After all, BPY’s yield is currently around 12% and is expected to grow at a rate of 5-8% annually. If you get to keep all of that income, you can reinvest the proceeds into other stocks or back into BPY. The power of compounding will work for you over time.

Furthermore, there is a high likelihood that the stock will appreciate in the future. Its parent company, **Brookfield Asset Management**, is confident that it will. The company recently bought into the subsidiary, increasing its stake from 55% to 63% of the float. If BPY does appreciate, you might want to lock in some of those gains at some point. In an RRSP, you can do so tax-free.

The ideal investment

For me, though, the perfect investments to put [into your RRSP](#) are U.S. dividend-paying stocks especially. There is a tax treaty with the United States allowing Canadians to hold their dividend-paying stocks in these investments. So, if you want to buy a stock like **Apple**, this is the account to use to buy it.

Collecting these dividends over time will add up to serious extra cash generation since you will receive the entirety of these dividends over time. That cash can then be reinvested in more U.S. stocks. The power of compounding will work for you.

The Foolish takeaway

If you have RRSP room available, take advantage of it. Use it in the best way possible, which often means protecting your income from taxes. The strategy keeps your money in your hands so it can compound over time. Buying stocks with fully taxable dividends and distributions within this account will help you achieve a high-compounding goal. Put your American dividend stocks and Canadian stocks that fit the criteria into this account for long-term wealth generation.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BPY.UN (Brookfield Property Partners)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

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