



Investors: Supercharge Your TFSA and RRSP With This Move

Description

Both the Tax-Free Savings Account (TFSA) and the Registered Retirement Savings Plan (RRSP) are excellent investment vehicles to build long-term wealth. However, choosing between the two can be a bit tough at times. Ideally, you should contribute to both. But, in reality, not everyone has enough income to make the maximum contribution in both the TFSA and RRSP. So, what should you do?

As a rule of thumb, if your income is modest, you should opt for a TFSA. Remember, the TFSA contribution limit for 2020 is \$6,000. Since your \$6,000 cash contribution to the TFSA is after-tax, your withdrawals, including interests, capital gains, and dividends, are tax-free.

But if your income is high with a higher marginal tax rate, contributing to the RRSP makes sense. The contribution limit in an RRSP is higher as compared to the TFSA. Also, you can claim a refund on the contribution. But, unlike the TFSA, cashing out our RRSP is not tax-free.

Another smart way is to use the refunds from the RRSP to contribute to the TFSA. However, to make the most out of your RRSP and TFSA contributions, invest consistently. Whether you opt for a TFSA or the RRSP or contribute to both, continuously [investing in equities can supercharge your funds](#) and maximize your gains.

One TSX stock to supercharge your contributions

If you've chosen to invest in equities, consider buying the shares of **Park Lawn** ([TSX:PLC](#)). The company offers funeral services and has tremendous upside potential that will supercharge your investments. Its business is recession-proof with high barriers to entry, thanks to the zoning laws.

The company has proven its worth by consistently reporting stellar sales and earnings growth. Park Lawn's revenues have grown at a compound annual growth rate (CAGR) of over 60% in the past five years. Meanwhile, its adjusted net income has risen at a CAGR of more than 65% during the same period.

Despite the COVID-19 outbreak, the company reported about 48% growth in its top line in the [most recent quarter](#)

. Moreover, its earnings jumped by nearly 42%.

Investors should note that Park Lawn continues to accelerate its growth through acquisitions. These acquisitions help Park Lawn to expand its footprints in regions with a high cremation rate and add to its cemetery properties and funeral homes. Besides, the ageing North American population acts as a tailwind.

Its growing scale and strong balance sheet position it well to grow organically as well as through acquisitions. Meanwhile, cost-control measures and margin accretive acquisitions should support earnings and, in turn, its payouts.

Park Lawn pays a monthly dividend of \$0.038, which translates into a forward dividend yield of about 2%. The company's adjusted EBITDA is growing at a breakneck pace and is likely to reach \$100 million by 2022, as compared to \$53 million in 2019. Higher revenues and profitability should enable the company to increase its future payouts, boosting investors' returns.

Park Lawn's enormous growth potential and decent dividend yield make it a must-have stock in your TFSA or RRSP portfolio.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PLC (Park Lawn Corporation)

PARTNER-FEEDS

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

Category

1. Coronavirus
2. Dividend Stocks
3. Investing

Date

2025/08/25

Date Created

2020/07/13

Author

snahata

default watermark