



## Millennials: TFSA or RRSP?

### Description

Millennial investors have been fortunate to be active through one of the longest bull markets in modern history. However, the domestic and global economy has now entered a period of turmoil that could rival the 2007-2008 financial crisis. Investors with a long-time horizon should not panic.

Today, I want to compare the Tax-Free Savings Account (TFSA) with the Registered Retirement Savings Plan (RRSP). Which is the better registered account for millennials? Let's dive in.

### Millennials: The case for the TFSA

We millennials like to throw shade at baby boomers for supposedly having it better than we do. Granted, there are unique challenges for this generation. However, there are also some great advantages. Millennials will have the benefit of being able to use the TFSA for their entire life.

Since its inception in early 2009, the TFSA has become the favoured registered account for many Canadians. Back in May, I'd discussed some of the reasons that the TFSA is such an attractive [investment vehicle for millennials](#). Over a long-time horizon, the chance to gobble up tax-free capital growth and tax-free income is one no investor should pass up.

We don't have to go that far back to see the benefits of the TFSA. For example, a \$10,000 investment in **Dollarama** in the beginning of the 2010s would have been worth \$113,000 as at December 31, 2019. This means an investor could have netted \$103,000 in tax-free gains over the course of a decade.

These are the kind of opportunities millennials should be on the hunt for today. Better yet, the TFSA also offers flexibility as investors can withdraw from the account without penalty at their discretion.

### Why the RRSP is underrated

The TFSA is an electric investment vehicle. However, millennials should not sleep on the RRSP. In the

spring of 2019, I'd discussed why it is so important for investors to [utilize this registered account](#).

It is never too early to start planning for retirement. The RRSP offers some fantastic benefits that millennials should pay attention to. Contributions are tax deductible. Moreover, RRSP investors can even carry over deductions. Like the TFSA, capital growth and income in an RRSP is tax free. This is providing that those gains are not realized through an early withdrawal.

A recent tweak to the RRSP is specifically catered to younger Canadians. The Home Buyers' Plan allows you to borrow up to \$35,000 from your RRSP for a down payment on a home providing it is a first-time purchase. You will not pay taxes on these withdrawals so long as the loan is paid back within the allotted time frame.

## Verdict for millennials

Both registered accounts boast incredible positives for millennial investors. Ideally, you will be able to maximize the potential of both the TFSA and the RRSP.

However, in this shaky environment, I prefer the flexibility and high-ceiling potential of the TFSA.

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