



## 3 RRSP Mistakes You Need to Avoid This Decade

### Description

Last week, I'd discussed three super RRSP tips that Canadians should [consider](#) for the long haul. Today, I want to focus on three RRSP mistakes that can put a damper on your retirement plans. [Mistakes](#) in a Tax-Free Savings Account (TFSA) are often frustrating but fixable. However, some mistakes in the RRSP can punish you for the long term. Let's dive in.

### Top RRSP mistake: Wasting your tax refund

Canadians who contribute to an RRSP will be familiar with the tax refund. This is one of the best benefits of the RRSP. Amounts contributed to this registered account reduce your net income. Essentially, contributing to an RRSP offers an immediate tax break.

One of the keys to smart investing is the elimination of bad habits. When we receive our tax refund, there is always a temptation to spend it on anything but our future. However, the best way to treat the tax refund is to reinvest that puppy right back into your RRSP. This means the account will grow, and the next tax refund has the chance to be bigger. By reinvesting, you are immediately putting yourself ahead for the next tax year. Don't waste that opportunity!

### Staying in cash

This is one of the worst habits in a TFSA as well. These accounts are perfectly suited for more aggressive styles of investing. Canadians who stash cash in their TFSA and RRSP are failing to take full advantage of these registered accounts. Like the TFSA, capital growth and income earned in your RRSP is tax free.

Just because you are going away from cash in your RRSP does not mean you have to take on huge risk. **Emera** is one of the best utilities available on the TSX. Shares of Emera have been mostly static in 2020. Emera does offer a quarterly dividend of \$0.61 per share. This represents a solid 4.5% yield. Moreover, the stock boasts a favourable price-to-earnings (P/E) ratio of 15 and a price-to-book (P/B) value of 1.6.

**Genworth MI Canada** is another dividend stock I love for an RRSP today. This is the largest private residential mortgage insurer in Canada. Shares of Genworth have dropped 25% so far this year. The stock last possesses a very attractive P/E ratio of 7.7. Moreover, it offers a quarterly dividend of \$0.54 per share. This represents a strong 5.9% yield.

These dividend stocks offer income and the chance at capital growth that do major work for your retirement nest egg. In this low interest rate environment, cash will not be able to touch their potential.

## Third RRSP mistake: Overcontributing

This is another mistake that TFSA and RRSP investors can make. Canadians can put 18% of the previous year's earned income in their RRSP. Investors can also carry forward contribution room from previous years. Your notice of assessment, which is available if you start an online CRA account, will make this room explicit for you.

Things are more straight forward in an RRSP, but that does not mean mistakes don't happen. Canadians can overcontribute a lifetime total of \$2,000 without penalty. Over that, the penalty for overcontributions is 1% on a monthly basis.

### CATEGORY

1. Dividend Stocks
2. Investing

### PARTNER-FEEDS

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

### Category

1. Dividend Stocks
2. Investing

### Date

2025/09/10

### Date Created

2020/09/19

### Author

aocallaghan

default watermark

default watermark