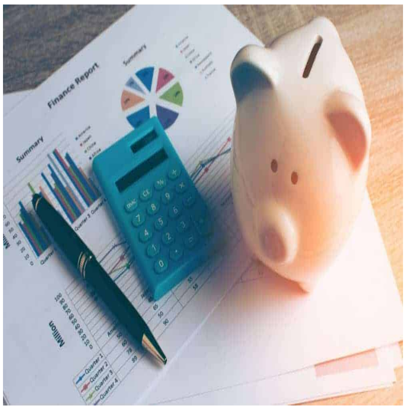

3 Big RRSP Tips in 2021

Description

Nearly two years ago, I'd discussed the importance of maximizing Registered Retirement Savings Plan (RRSP) room. Defined-benefit pension plans may be virtually extinct in the private sector by the end of this decade. Moreover, the COVID-19 pandemic will have long-lasting consequences for the broader economy. Canadians need to actively prepare for retirement or risk a very uncertain future.

Today, I want to look at three tips that are worth remembering for RRSP investors. These will aid Canadians in the near and long term.

Take advantage of the RRSP tax refund … and put it to use!

There are many benefits to the RRSP, which is why it's remained a very popular registered account. One of the biggest perks is its ability to offer tax relief for Canadians. In most cases, contributing to an RRSP will result in a tax refund. However, that tax refund should not be used for a vacation or a shopping spree. Wise investors will look to re-invest that boon immediately.

If you did receive a tax refund for the 2019 year, you need to contribute before the March 1, 2020, deadline. One stock to consider is **Enbridge** (TSX:ENB)(NYSE:ENB). Enbridge is the largest energy infrastructure company in North America. Its shares have climbed 5.5% in 2021 as of close on January 12. However, the stock is down 11% year over year.

Investors can expect to see its fourth-quarter and full-year results for 2020 in February. In Q3 2020, Enbridge delivered GAAP earnings of $990 million, or $0.49 per share, compared to $949 million, or $0.47 per share, in the prior year. Rebounding oil and gas prices bode well for Enbridge and its peers to kick off 2021.

This stock boasts a solid price-to-book (P/B) value of 1.5. Best of all, it offers a quarterly dividend of $0.835 per share. That represents a tasty 7.7% yield.

Make regular contributions

Canadians need to remember to make regular contributions to their RRSP. In November 2020, I'd discussed why it gets more challenging to craft a realistic retirement plan the longer you wait to build a portfolio. That is why it is important to start early and to make sure you contribute consistently. The combination of steady contributions and compounding interest over a long period of time will make all the difference when you reach retirement.

TransAlta Renewables is one of the stocks you should consider stashing if and when you contribute to an RRSP. This company develops, owns, and operates renewable power-generation facilities. Its shares are already up 5.2% in 2021. The stock has climbed 29% over the past three months.

RRSP investors should be enthusiastic about its growth trajectory and income. It last paid out a monthly dividend of $0.078 per share, which represents a solid 4.1% yield.

Explore RRSP products

Canadians have several options that help them contribute and utilize the savings in their RRSP without having to worry about a tax penalty. If you are getting impatient and want to invest now, you may want to consider an RRSP Loan. However, this is a short-term solution, and you should only pursue this option if you can pay back the loan quickly.

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