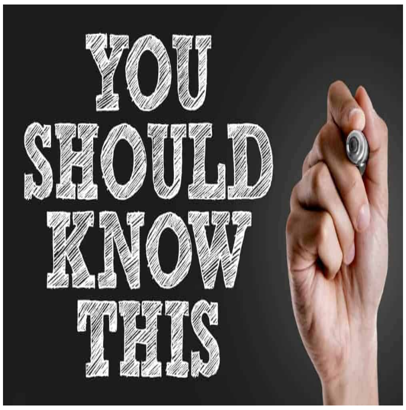

RRSP Investing: 3 Tips Before the Deadline

Description

The final deadline to contribute to your RRSP for the 2020 tax year is March 1, 2021, leaving RRSP investors with a few more weeks if they have not maxed out their annual contribution. Today, I want to go over three RRSP tips that are worth remembering in 2021 and beyond.

Target value stocks in your portfolio

Obviously, this applies to all investors. Value investing is a strategy that has not attracted that much attention over the course of the past decade. Monetary policy after the Great Recession has sparked ballooning valuations that have defied traditional fundamentals. Still, RRSP investors should endeavor to add stocks that are undervalued.

Manulife Financial (TSX:MFC)(NYSE:MFC) is one of the largest financial services and insurance companies in Canada. Shares of Manulife have increased 6.1% in 2021 as of late morning trading on February 5. It is expected to release its final batch of earnings next week. In Q3 2020, Manulife reported net income of $2.1 billion – up $1.3 billion from the prior year.

This stock last possessed an attractive price-to-earnings ratio of 9.1 and a price-to-book value of 0.9. RRSP investors can also rely on its income. Manulife stock last paid out a quarterly dividend of $0.28 per share, representing a 4.6% yield.

RRSP room carries forward

Investors should work to contribute to their RRSP as often as they are able. However, they should also remember that RRSP room carried forward. For example, if you have $10,000 in contribution room and only contribute $6,000, the rest of the $4,000 in contribution room will carry over to the next year. Keep track of your contribution room that carries over. That way, you may be able to make bigger contributions that originally thought in any given year.

Make regular contributions – consider DCA

Only a fraction of Canadians have maxed out their TFSA and RRSP room on an annual basis, which is why it is so important for most investors to make regular contributions. This also carries an investment advantage. Investors who practice dollar-cost-averaging can take advantage of long-term gains in the market without having to worry about making a big purchase at market peaks.

Some RRSP investors may want to think about setting up automatic deposits in their RRSP. That way, you can set it and forget it.

It never hurts to target blue chips on the **TSX** with this strategy. Bank stocks are dependable and offer solid capital growth and income. **Scotiabank** (TSX:BNS)(NYSE:BNS) was my top bank stock pick in the beginning of this year. Its shares have climbed 25% over the past three months at the time of this writing. The stock is up 2.8% in 2021 so far.

Canada's big banks will release their earnings in late February and early March. In Q4 2020, Scotiabank beat analyst expectations. However, it was still struggling as the pandemic ravaged economies in Latin America. The bank should benefit from the ongoing global recovery.

Shares of Scotiabank last had a solid P/E ratio of 13. It offers a quarterly dividend of $0.90 per share, which represents a 5.1% yield.

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Date
2025/09/04

Date Created
2021/02/06
Author
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