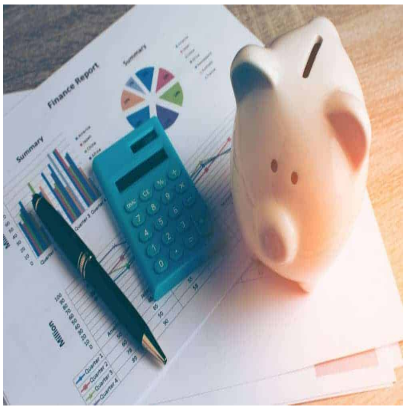


2 Top Stocks to Buy and Hold in Your RRSP

Description

Before putting money in your Registered Retirement Savings Plan (RRSP), it’s probably better to contribute to your Tax-Free Savings Account (TFSA) first.

That said, the RRSP is perfect for investing in U.S. dividend stocks. It is an excellent tool for saving and investing for retirement because, in most cases, withdrawals will count as taxable income. This deters Canadians from taking money out of their RRSPs, helping serve the purpose of saving for retirement.

Since RRSP/RRIF withdrawals count as taxable income in your retirement, you’ll want to aim for total returns while being comfortable with your retirement account investments. You can take advantage of tremendous tax savings by investing in these top stocks in your RRSP.

Invest in big-dividend stocks in the U.S.

The dividends from U.S. stocks are not as tax friendly as Canadian eligible dividends, which allow Canadians to enjoy a dividend tax credit. There’s a 15% withholding tax on dividends paid from U.S. corporations to Canadians. However, this tax is exempt in the RRSP. Therefore, you would want to save RRSP room to invest in big-dividend U.S. stocks.

What’s considered a big dividend? The U.S. stock market yields about 1.3%. And the market is relatively expensive compared to historical levels. So, you might seek U.S. dividend stocks that provide a minimum yield of 2.6% — double the market yield.

Pfizer and **Merck** are blue-chip big-dividend U.S. stocks you can explore. They provide yields of 3.9% and 3.4%, respectively. The reasonably valued healthcare stocks and steady growth should lead to returns that at least match the market’s while providing above-average income.

You can also investigate telecoms **AT&T** and **Verizon** as a potential U.S. big-dividend income investment. They offer massive yields of about 7.3% and 4.5%, respectively.

The tax on income from U.S. stocks that are master limited partnerships (MLPs) are taxed differently. You might need to pay taxes on the income from these stocks, even if they reside in your RRSP. If you plan to invest in MLPs, talk to a tax professional first.

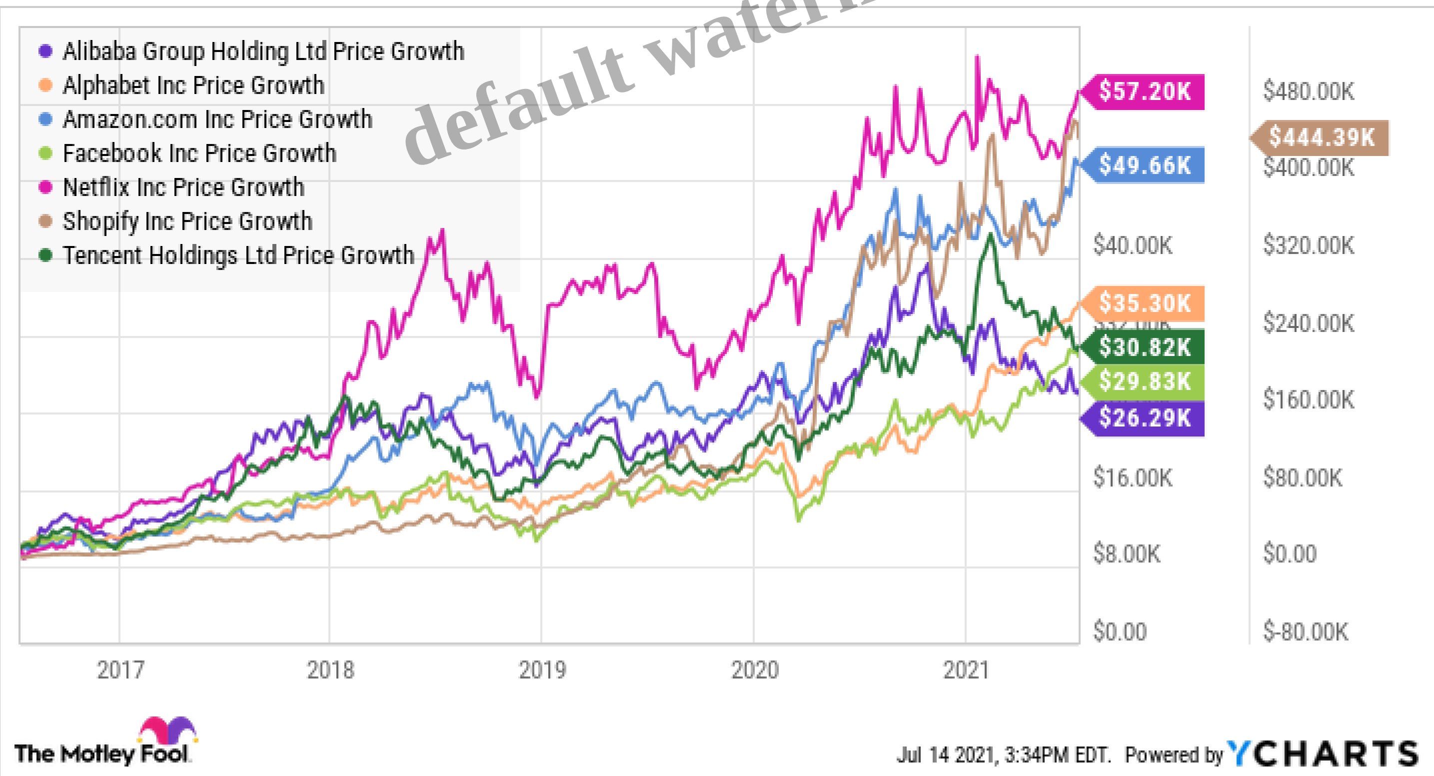
Buy growth stocks in your RRSP

The price gains expected from growth stocks can lead to big tax bills down the road. Therefore, if you run out of room in your TFSA, you might use some of your RRSP room for growth stocks.

The goal of growth stocks is total returns that primarily come from price appreciation. So, any growth stocks you are bullish on, whether they are listed on the Canadian or U.S. stock exchanges could be a candidate for purchase.

Here are some large-cap growth stock ideas you can do more research on to determine they fit your growth portfolio. They include **Alibaba**, **Alphabet**, **Amazon**, **Facebook**, **Netflix**, **Shopify**, and **Tencent**
.

The chart below displays the growth of a $10,000 investment from five years ago in each stock. Notably, the Shopify stock investment is based on the **TSX** listing, not the **NYSE**.



Data by YCharts.

The worst investment, Alibaba stock, delivered annualized returns of about 21%, which actually wasn't bad at all, given the long-term market returns are about 10%. The best investment was Netflix stock, and its annualized returns were nearly 42% per year!

You can also invest in small- or mid-cap growth stocks. However, they often experience bigger corrections than more stable large-cap growth stocks. Therefore, they would require a more active investing approach — perhaps taking at least partial profit on rallies.

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