Is Your RRSP Less Than $15,000? How to Grow Your Retirement Fund Faster

Description

The Registered Retirement Savings Plan (RRSP) can be an important part of your retirement. In most cases, RRSP funds aren’t easily accessible, unless you pay hefty income taxes on the withdrawal. Therefore, it prevents Canadians from tapping into the funds that are meant for retirement.

We all want a massive retirement fund waiting for us when we stop working. However, we can’t expect it to magically appear. We expect to see our RRSP balance progressively growing over the years. If not, you might need to revisit your financial plan.

If you’ve been working for more than five years, but your total RRSP is less than $15,000, here are some possible reasons.

Not contributing enough to your RRSP

Are you not contributing regularly to your RRSP? Maybe that is the right thing to do. Many young Canadians contribute to their Tax-Free Savings Account (TFSA) first, because they’re in a low tax bracket. They’re essentially accumulating a bigger RRSP contribution room for future years when they’re in a higher tax bracket.

Some financial advisors recommend contributing to your RRSP as soon as you earn $50,000 a year. Others recommend contributing as soon as you start working full-time and have extra money. Generally speaking, if you’re in a high tax bracket or making a six-figure income, for example, then, definitely go for it! Otherwise, if you’re in a low tax bracket and expect to be in a higher one in the future, save your RRSP contribution room for bigger tax savings down the road. RRSP contributions reduce your taxable income for that year.

Taking too little risk in your RRSP

Because the RRSP is Canadians’ retirement fund, some invest too conservatively. Some people have their RRSPs as savings accounts earning very low interest income right now. Interest isn’t even keeping pace with inflation. In other words, their purchasing power is diminishing.

It is precisely because the RRSP funds are meant for retirement that investors should consider taking greater risks and potentially generating higher long-term returns. If you have decades to invest, there is lots of time for your investment to compound and ride through the market volatility. Besides, there are different risk levels when it comes to investing.

Risk-averse investors with a long-term investment horizon can consider investing in quality dividend stocks. **Fortis** (TSX:FTS)(NYSE:FTS) stock is one of the lowest-risk stocks on the **TSX**. It's a regulated utility that's diversified across 10 utilities. It has increased its dividend every year for almost half a century — one of the longest streaks on the TSX. Going forward, it's set to continue increasing its dividend by about 6%. It's currently fairly valued and yields 3.8%. So, it can roughly deliver annualized returns of about 9.8% in the long term. RRSP accounts can essentially sit on the defensive shares, do nothing, and generate a decent long-term return.

Once you become comfortable with Fortis's low-risk level, you might consider higher-risk growth stocks that could potentially lead to greater returns. Perhaps, you would explore **Docebo**, **Lightspeed Commerce**, and **Twitter**. Note that jumping from Fortis to these stocks would be a big leap from one end of the risk spectrum to the other.

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