



## Which Is More Relevant With Rising Inflation: The RRSP or TFSA?

### Description

The Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA) are the top two investment accounts in Canada. RRSP and [TFSA users](#) can save for the future or build retirement wealth. They are complementing, not competing, investment vehicles.

Canadians can have both accounts, although the utilization usually depends on the specific need and circumstance of the accountholder. According to **Royal Bank of Canada**, inflation is now one of the top three concerns of Canadians about retirement.

The results of the bank's most recent annual Financial Independence in Retirement Poll showed interesting insights. About 29% of respondents believe inflation is a key savings barrier. Rising inflation limits the ability to increase any savings, because it drives up the costs of fixed expenses.

### The RRSP's grand comeback

Based on RBC's retirement survey, Canadians want to refocus on their financial future. The effects of rising inflation on their retirement savings are the new uncertainties. According to the poll results, financial priorities are shifting to longer-term saving and investing. Hence, the RRSP is making a grand comeback.

Canada's largest bank said more than half of Canadians (53%) are using their RRSPs to save and invest for retirement. The seven-year downward trend and historic low of 46% in 2021 is now in the past. It seems the relevance of RRSP is more magnified in an inflationary environment.

About 85% of the younger age group also worries about trying to balance saving for today versus saving for their future. Stuart Gray, RBC's director of Financial Planning Centre of Expertise, said younger Canadians now see the importance of a plan in achieving retirement savings goals and building a strong financial future.

## Eligible investments

Most RRSP investors hold dividend stocks in their accounts for tax-free money growth and compounding of balances through dividend reinvesting. However, the choice of investment is equally crucial. If you're risk averse and want uninterrupted dividends, regardless of the economic environment, pick [defensive stocks](#).

Utility stock **Fortis** ([TSX:FTS](#))([NYSE:FTS](#)) and consumer staple stock **Rogers Sugar** ([TSX:RSI](#)) are ideal holdings in your RRSP. The \$27.87 billion electric and gas utility company derive nearly 100% of revenues from highly regulated utility assets. Meanwhile, the business of the \$611.75 million sugar (and maple) producer should endure for decades.

Fortis has a promise to increase dividends by 6% annually through 2025. The goal is achievable because the new \$20 billion capital investment plan (2022 to 2026) should increase the rate base to \$41.6 billion in five years. Remember, too, that Fortis has increased its dividends for 48 consecutive years.

Rogers Sugar is confident about reporting improved financial and operational performance in the quarters ahead. Management expects the return to traditional business mix in the home country. Also, the company expects export sales to return to pre-pandemic levels very soon.

Like Fortis, don't expect much on capital gains. This consumer staple stock hardly experiences wild price swings. In the last 20 years, the total return is a decent 609.8% (10.28% CAGR). Assuming you take a position today, Fortis pays a 3.63% dividend, while Rogers Sugar's yield is 6.1%.

## Growing retirement savings

Canadians with a plan like the RRSP can ensure growing retirement savings notwithstanding rising inflation. Also, the [annual contribution limit](#) increases every year to allow users to reduce taxable income by contributing to their RRSPs.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:FTS (Fortis Inc.)
2. TSX:FTS (Fortis Inc.)
3. TSX:RSI (Rogers Sugar Inc.)

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#### **Date**

2025/08/13

#### **Date Created**

2022/01/25

#### **Author**

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