RRSP Deadline 2022: 2 Dividend Stocks to Invest in

Description

The clock is ticking. Canadians have until March 1, 2022, to contribute to their RRSPs for the 2021 tax year. By now, you probably have a good idea of what your income (and therefore income tax) looks like for 2021. So, if you have RRSP room and can benefit from contributing hundreds to thousands of dollars to reduce your 2021 taxable income, you should consider contributing before the March 1st RRSP deadline.

Here are some dividend stocks you can consider investing in to make good use of your RRSP contribution.

Buy U.S. dividend stocks before the RRSP deadline

For your RRSP, you should consider high-yield U.S. dividend stocks first. The account is the only place that you can invest U.S. dividend stocks without getting income cuts due to the foreign withholding tax, which is typically 15%, on the foreign dividends. The 15% applies to qualified U.S. dividends sourced from corporations.

For example, **STORE Capital** (NYSE:STOR) yields just over 5% at writing. Buying and holding the dividend stock in your RRSP/RRIF will allow you to get the full dividend. In any other account, you'll see a 15% foreign withholding tax, leading to a yield of about 4.25% (before income taxes).

Investing in quality U.S. high-yield dividend stocks is great for diversification for any dividend portfolio. Just comparing the sector compositions of the **S&P 500** and the **S&P/TSX 60** tells us that much.

In particular, STORE Capital is a quality net-lease real estate investment trust (REIT) that has been raising its dividend every year since it became publicly listed in 2014. Its three-year dividend-growth rate is 5.8%. This growth rate beats most Canadian REITs. Going forward, it's likely to continue increasing its cash distribution at about that rate.

STORE Capital is such a wonderful business that it even caught Warren Buffett's attention. You know how much Mr. Buffett loves dividends! Buffett's **Berkshire Hathaway** held a meaningful stake of about

9% of the business as of the end of 2021. The recent correction in the dividend stock is making STORE Capital more attractive for income.

Canadian dividend stocks

After considering high-yield U.S. dividend stocks for your RRSP, if you still have RRSP room, you can also consider investing in Canadian dividend stocks. You don't necessarily need to seek high-yield Canadian dividend stocks. Rather, focus on total returns, because you can hold high-yield Canadian dividend stocks in non-registered accounts to enjoy the tax-advantaged nature of eligible Canadian dividends.

One Canadian dividend stock that could deliver excellent long-term total returns is **goeasy** (TSX:GSY). It's an alternative consumer lender. That is, if Canadians cannot borrow from traditional means, they might borrow from goeasy.

The growth stock is reverting to the mean because of rising interest rates, and it did exceptionally well during the pandemic period. Over the next five years, it could potentially deliver annualized returns of about 20% if it's able to continue its double-digit rate growth.

goeasy stock offers a decent yield of approximately 2.5%, and it has increased its dividend for seven consecutive years with a 15-year dividend-growth rate of roughly 17%. Now is a good time to buy some shares. Should it correct significantly lower, back up the truck!

CATEGORY

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TICKERS GLOBAL

1. NYSE:BRK.B (Berkshire Hathaway Inc.)
2. NYSE:STOR (Store Capital)
3. TSX:GSY (goeasy Ltd.)

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kayng