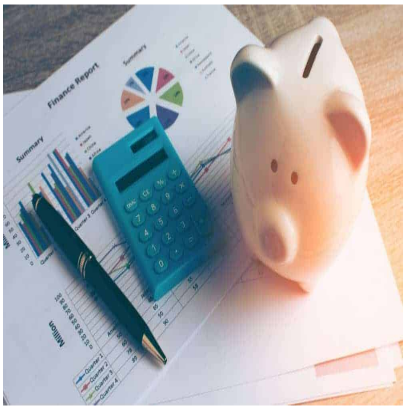

RRSP Investors: Why You Should Plan to Hit Your Contribution Limit Right Now!

Description

The Registered Retirement Savings Plan (RRSP) is a stable way to invest in your future. Investors can use it to put cash aside and see their portfolio grow larger on the way to a fulfilled retirement.

It takes more than just meeting the deadlines to contribute to your RRSP on time. Right now, Canadians across the country are going to be receiving their Notice of Assessments from the Canada Revenue Agency (CRA). And when they do, they should make a plan to meet that limit today.

But why?

That contribution limit is around for a reason. Every time you contribute, RRSP investors get the benefit of taking that contribution off their income at tax time. This is a *huge deal*. Let's say you make $125,000 in a year and contribute $30,000 to your RRSP. That brings your annual income down to $95,000 and potentially puts you in a lower tax bracket. That means the government is charging you less taxes on your income that year!

This can add up to thousands in savings and tens of thousands over the years. So, it's why RRSP investors want to try and hit that contribution limit every single year that they can. But that takes planning. So, let's see how you can get there.

The plan

Let's say you get your Notice of Assessment, and it gives you a contribution limit of $22,000. That's going to hurt if you put it in your RRSP all at once. Instead, let's break it down and figure out a way to get there by investing on a consistent basis.

RRSP investors can divide that into monthly or even bi-weekly payments. Basically, you treat it like a non-optional bill. And if you do that on a bi-weekly basis, you can plan for it to come out as soon as you get a paycheque.

To get to $22,000 a year, that's a monthly investment of about $1,833, or a bi-weekly investment of $917. And you get to then take all that cash off your income come tax time next year!

What now?

Of course, the whole purpose of an RRSP, besides putting cash aside, is to invest. So, you want to invest in something safe that will bring in even more cash and allow you to sleep at night. For that, I'd consider the **BMO Equal Weight Banks Index ETF** (TSX:ZEB).

ZEB gives you access to the growth of all the Big Six banks as well as dividends. You can therefore use those dividends to help increase your RRSP cash and reinvest back into ZEB. And the longer you leave it, the larger it'll grow.

Let's say you were to put that whole $22,000 away every single year for the next two decades. Then you reinvest the dividend of 3.33% back into the stock. ZEB has grown at a compound annual growth rate (CAGR) of 8.03% over the last decade. Its dividend has grown 8.93% during that time. So, in another decade, your portfolio could be worth $1.73 million at that same rate! And that's all from reinvesting dividends, bringing your taxes down in the process.

Bottom line

RRSP investors don't need to be told that saving for your future is important. But they do need to know that there are ways to make it work for you today. Meeting your contribution limit puts cash in your pocket for the future, while also saving you on taxes each year. Furthermore, by investing in the right safe, dividend-providing stock, you can ensure you'll have heaps of cash when you eventually reach retirement.

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2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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alegatewolfe