



Retirement Planning: 1 Top Stock for New RRSP Investors

Description

Canadians are using their self-directed RRSP accounts to build extra savings to go along with company, CPP, and OAS pensions.

RRSP benefits

As the cost of living soars, it makes sense to have multiple revenue streams in retirement. The RRSP has been around for decades and remains a great vehicle for putting extra cash aside for the golden years. Contribution space is determined by annual income and calculated by the CRA when you file your taxes each year.

Unused space carries forward, giving people flexibility to make larger contributions in years when they might get more income from a bonus or simply have extra cash due to reduced expenses. The biggest bang for your RRSP buck comes at the highest marginal tax brackets, as contributions are used to reduce taxable income.

Waiting too long, however, can result in missed opportunities to grow savings in a tax-sheltered vehicle while still reducing the current income tax hit. Excess cash that sits around might also get spent. Once RRSP contributions are made most people leave the funds to grow into a nice retirement fund.

A balanced portfolio is always recommended. One popular RRSP [investing strategy](#) involves owning top dividend stocks and using the distributions to buy more shares to boost total returns.

BCE

BCE ([TSX:BCE](#))([NYSE:BCE](#)) is Canada's largest communications company with a current [market capitalization](#) of \$63 billion. Size has an advantage in this market where large investments are required to ensure networks remain world class. BCE is extending its fibre-to-the-premises reach to another 900,000 clients in 2022. The company is also using the \$2 billion investment in new 3,500MHz spectrum it made last year to expand the [5G](#) network.

These capital initiatives help BCE protect its wide competitive moat while setting the business up for additional revenue opportunities from existing and new customers.

BCE reported solid Q1 2022 results that topped the same period last year. A rebound in spending by advertisers in the media division continues after a downturn during the past two years. BCE's media group owns a TV network, specialty channels, radio stations, and interests in sports teams. BCE's physical retail stores should also deliver better results in 2022. On the mobile side, the recovery in business and holiday travel is expected to boost lucrative roaming fees.

BCE expects free cash flow to grow by 2-10% in 2022. That should ensure investors get another decent dividend increase in 2023. The board raised the payout for 2022 by 5%. This was the 14th straight year the dividend hike was 5% or better.

BCE's generous distribution makes it popular with income investors, but the high yield also helps investors who are building their retirement savings. At the time of writing, the stock provides a yield of 5.3%.

Long-term RRSP investors have done well holding BCE stock. A \$10,000 investment in the shares 25 years ago would be worth about \$245,000 today with the dividends reinvested.

The bottom line on RRSP investing

The **TSX Index** is home to many great dividend stocks with strong track records of delivering attractive total returns for investors who harness the power of compounding to build a self-directed pension fund. BCE deserves to be on the buy list, but it is just one example of a top Canadian stock that can help RRSP investors hit their retirement goals.

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