



Suncor Stock: Why I'd Put it in a TFSA But Not an RRSP

Description

Canadians are seeing a market correction continue. The official correction came mid-May, when shares fell from 2022 highs on the **TSX** by 10.8%.

One of the stocks affected during that time and before was **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)). The fully integrated [oil and gas stock](#) is up a whopping 89% in the last year alone! Even in the first months of 2022, shares have climbed another incredible 66%.

But does that mean Motley Fool investors should hop on the Suncor stock bandwagon?

What's happening?

Suncor stock started to see a stable climb with oil and gas prices climbing as well. Then the Ukraine crisis led to sanctions against Russia. This led to even more geopolitical conflict and uncertainty, and that leaves more pressure on Suncor to produce.

The company has stepped up its game, with a strong earnings report during its latest quarter. Suncor stock reported an adjusted net income profit margin of 20.4%, up from just 8.6% the year before and still almost double the quarter before.

Total revenue also jumped 56.3% year over year, but its earnings exploded by 292% during the same time period. What's more, demand for oil and gas products certainly isn't going away, as the world looks to recover after the pandemic. That's why investors like Warren Buffett continue to stay on this train.

But what about the future?

Future not as bright

Let me be clear. Suncor stock does have a bright future over the next few years, at least. The company

has an enormous portfolio of exploration, development, up and downstream, and more. It sells its own products instead of using a middleman, and that brings in more cash flow.

However, the world is changing, as I said. Clean energy companies are now picking up speed, with more investment coming from private and public entities alike instead of [oil and gas companies](#). The electric vehicle revolution is here, and Suncor stock hasn't made any significant changes to address that future.

While it could take decades for oil and gas to die away, it *will* happen eventually. Even the Organization of Petroleum Exporting Countries (OPEC+) stated this, with lower income countries soon being the main consumers of oil and gas products.

With that in mind, Suncor stock doesn't look like the long-term investment it once was. But again, that's not to say it won't be a powerful producer in the next few years.

TFSA or RRSP?

If you're looking to invest in Suncor stock, there are a few things to keep in mind. First, the company trades at 52-week highs. So, you certainly are not getting a deal like you would with other companies. Still, it trades in value territory at 12.65 times earnings as of writing.

That may be enough for Motley Fool investors to continue to invest in Suncor stock. However, remember that this is a cyclical stock. Should the economy turn downwards again, or an outbreak of COVID-19 explode in another country, or any other millions of factors, Suncor could be affected once more.

It's for this reason I would consider a Tax-Free Savings Account (TFSA) over a Registered Retirement Savings Plan (RRSP) investment. You can take out your stake in your TFSA simply, tax free. It's not as simple with your RRSP. Furthermore, Suncor stock slashed its dividend during the pandemic and continues to build it back up. So, it's simply not the passive-income stock it once was, even for those with an RRSP looking to retire soon.

Foolish takeaway

If you want to get in on short-term growth, the TFSA is the better option in the case of Suncor stock. But at 52-week highs, I would wait for a fall before then. As for the RRSP, given those shares prices and long-term outlook, you're more likely to see this stock fall over the next few decades, as the world shifts to clean energy.

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