Where to Put $1,000 Right Now

Description

If you're a Motley Fool investor, then you likely have a savings plan that involves regularly putting cash towards investments. But right now, that's incredibly tricky on the **TSX** today.

You're looking at a volatile market and wondering where on Earth you should be putting that $1,000. And the answer isn't a simple one. But today, I'm going to try and create some clarity for how to make the most of that $1,000 investment.

Put half in your RRSP

A great first step is to put half of your $1,000 in your Registered Retirement Savings Plan (RRSP). There are a few benefits to doing this. The first is that you can choose long-term funds that will help set you up for retirement. Many of these even include dividends, which you can use to reinvest in your RRSP as well.

However, there's a short-term benefit to investing in your RRSP as well. Putting that $500 into your RRSP means, come tax time, the Canada Revenue Agency (CRA) takes that $500 off your net income. This brings your income down for the year and has the potential to bring down the taxes you owe the CRA as well!

Finally, check in with your employer. Many companies have matching programs for RRSP contributions. So, that $500 could suddenly turn into $1,000! The downside is if you want this cash, you pay taxes on it. This brings me to my next point.

Put the other half in your TFSA

If you need cash sooner than retirement, which many of us do, investing in your Tax-Free Savings Account (TFSA) is also a necessary choice. But this is where it gets even trickier, as there are so many options out there. And it seems like everything on the TSX today is dropping.

But that's why $500 could be the perfect amount to get you started. You can start with a small stake with shares so low and see what happens over the next few months. Furthermore, you don't *have* to choose singular companies. You could also choose strong exchange-traded funds (ETFs) in areas you're confident will see a rise.

Again, strong companies and ETFs usually dish out dividends, too. So, you can use that cash to reinvest in your TFSA to make it even larger.

Why not hold cash?

Yes, the TSX today is quite volatile. Should you just hold cash? There are a bunch of disadvantages to choosing this option and neglecting your RRSP and TFSA.

First, you don't get the savings and additional employer cash for your RRSP. For your TFSA, you don't get the option of buying up shares of strong companies at ultra-low prices to see strong returns. And in both cases, even if shares stay exactly where they are, you don't get the addition of dividends.

If you're looking for options, I would consider **BMO CA High Dividend Covered Call ETF** (TSX:ZWC) for your RRSP and **Canadian Utilities** (TSX:CU) for your TFSA. Each has an ultra-high dividend with some strong advantages.

ZWC is perfect for your RRSP, because it offers a high dividend and slow but steady share growth. So, you can look forward to stable growth until your retirement. Meanwhile, Canadian Utilities has a steady influx of cash from long-term contracts, and an added boost thanks to the oil and gas boom. Furthermore, it's the only Dividend King on the TSX today. So, you can look forward to dividend boosts every year!

Foolish takeaway

Don't let your $1,000 sit there doing nothing. It doesn't have to be a risky choice, but making an investment during a downturn sets you up for stellar returns and long-term income. So, make it work for you today.

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2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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Author
alegatewolfe