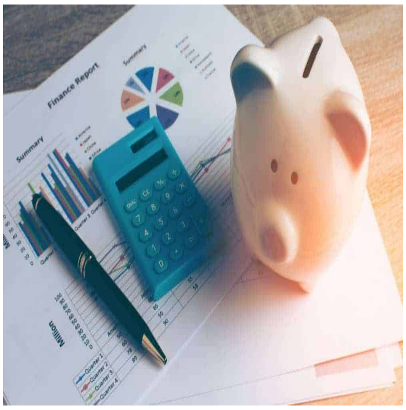

New to Investing? How to Build Your TFSA and RRSP All at Once

Description

New investors likely come to the Motley Fool looking for a place to start. And that's certainly the right move! There is so much information here on stocks to consider on the **TSX** today. But it can still seem rather overwhelming.

Besides, once you have those stocks chosen, how can you afford them if you're just starting to invest today? You may only have a couple hundred bucks, and maybe you're worried about missing today's opportunities.

Instead of hoarding your cash, the right time to get into the market is always right now. So, let's look at a strategy to help you get started with you Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

Saving strategy

If you're just starting out, you may be short of cash. It's recommended Canadians put perhaps 10-20% of their income towards investing each month. But even if you get the high end, that may only be a couple of hundred bucks, if even just $100 per month.

The problem that Motley Fool investors may have with this on the TSX today is that they may want to make one large purchase. They want to get in on the market when it's down and time it right. But investors shouldn't worry about timing the market; what matters is time *in* the market. That means getting started and staying consistent.

This is where the strategy of dollar-cost averaging can be useful. It's where you buy an investment you're confident in each month, no matter what. If you do this over decades, on average, you'll see your shares (dollar) increase substantially. This is far better than waiting for a dip, trying to time it, and missing out on a potential strong buying opportunity. Instead, stay consistent, and keep it flowing.

Use the TFSA and RRSP together

Let's say you want the RRSP for a retirement goal in 20 years and the TFSA for some short-term goals like education or home maintenance. These short-term goals can be achieved, and then the cash you put into your TFSA can be used towards your RRSP as well.

If you use the dollar-cost-averaging strategy each month, you could put it towards both your TFSA and RRSP. At tax time, figure out how much of your TFSA you're going to need that year. If you don't need anything, you may want to consider putting some towards your RRSP. Why? Invest enough, and you could bring down your employment tax to a new tax bracket, saving you thousands.

You won't just have savings; you'll have investments that have grown thanks to the dollar-cost-averaging strategy coupled with using your TFSA and RRSP together.

Where to start

There are a lot of strong recommendations out there for stocks to buy on the TSX today. But if I was going to consider one as a new investor, it's likely going to be an exchange-traded fund (ETF) with global exposure.

In that case, if you're already looking at Canadian companies, it could be a good idea to invest in an ETF that gives you exposure to everything else. For that I would consider the **Vanguard FTSE Global All Cap ex Canada Index ETF** (TSX:VXC).

This ETF focuses on tracking the performance of the broad global equity index, besides Canada. It mainly invests in large, mid-, and small-capitalization stocks of companies in both developed and emerging markets. As markets have fallen, shares are down 19%. But in the last five years, shares are still up 22%, and it offers a quarterly dividend of 1.32% as of writing.

CATEGORY

1. Investing

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1. TSX:VXC (Vanguard FTSE Global All Cap ex Canada Index ETF)

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