2 Undervalued Stocks Canadians Can Hold in Their RRSP Account

Description

A Registered Retirement Savings Plan (RRSP) allows you to make contributions each year to build long-term wealth for retirement. It's a tax-advantaged account, so any contributions towards the RRSP are exempt from Canada Revenue Agency taxes. Further, income earned from your investments held in the RRSP is tax-deferred until withdrawal.

What is the RRSP contribution limit for 2022?

You can contribute up to 18% of your earned income towards the RRSP. So, if you earned $100,000 in 2021, your RRSP contributions will be limited to $18,000. However, the maximum RRSP contribution limit for 2021 was $27,830, and this figure increased to $29,210 for 2022.

Canadians can carry forward any unused RRSP contributions from previous years indefinitely. The RRSP can be used to hold several qualified investments such as stocks, bonds, exchange-traded funds, and mutual funds.

Given that the RRSP is essentially a retirement vehicle, it makes sense to buy and hold asset classes that will increase your wealth at an inflation-beating rate. Over the long term, equities have managed to outpace inflation consistently and remain the best bet for those with medium-risk profiles.

The ongoing volatility surrounding the stock market allows investors to purchase quality stocks at a discount right now. Let's take a look at two undervalued stocks Canadians can buy and hold in their RRSP account.

Savaria

Valued at a market cap of $884 million, **Savaria** (TSX:SIS) is trading 39% lower compared to all-time highs. Despite the pullback, it has returned 836% to investors in the last decade. After adjusting for dividends, total returns increased to 1,250% since September 2012.

Savaria is a major player in the accessibility industry. The company provides accessibility solutions for persons with a disability. It designs, manufactures, distributes, and installs accessibility equipment, including stairlifts, wheelchair lifts, and elevators for home and commercial use.

Savaria increased revenue by 7.5% year-over-year to $192.1 million in Q2 while adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) rose 15% to $31.5 million, in spite of near-term headwinds such as inflationary pressures on shipping, materials, labour, and fuel.

Savaria offers investors a tasty dividend yield of 3.53% and has increased these payouts at an annual rate of 7% in the last five years. The stock is trading at 1.13 times forward sales and 22.6 times forward earnings, which is very cheap considering its earnings are forecast to more than double in the next two years.

Exchange Income Corp.

Another dividend-paying undervalued stock on the **TSX** is **Exchange Income Corp** (TSX:EIF)**,** which offers investors an attractive forward yield of 5.4%. Engaged in the aviation services and equipment business, Exchange Income has returned 250% to investors in dividend-adjusted gains in the last ten years.

The company is well diversified, allowing it to withstand economic cycles. Its subsidiary companies span multiple industries and geographies, and coupled with a strong balance sheet, Exchange Income stock should be on the top of your buying list.

Exchange Income pays investors annual dividends of $2.40 per share. Its dividends have increased 15 times since 2004, and the company distributed over $600 million in dividends to shareholders in 2021.

Exchange Income is trading at 14.2 times forward earnings and might gain close to 40% in the next year, considering consensus price target estimates.

The foolish takeaway

Buying Savaria and Exchange Income on the dip and holding them in your RRSP will allow you to capitalize on growth and dividends, all tax-free.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EIF (Exchange Income Corporation)
2. TSX:SIS (Savaria Corporation)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. agraff
2. araghunath

Category

1. Dividend Stocks
2. Investing

Date
2025/08/17
Date Created
2022/09/01
Author
araghunath