



How to Turn a \$50,000 RRSP Into \$1 Million

Description

A [Registered Retirement Savings Plan](#), or RRSP, is an investment and savings account that provides Canadians with certain tax benefits. The RRSP can hold qualified investments such as stocks, mutual funds, exchange-traded funds, and bonds. It is a government-sponsored retirement account where you can save money for the long term and take advantage of tax breaks.

How does an RRSP work?

Canadians can contribute towards the RRSP each year. The RRSP contribution limit is the lower amount between 18% of the income earned in the previous year, or \$29,210, for 2022. So, if you earned \$100,000 in 2021, you could contribute \$18,000 towards the RRSP. But if you earned \$200,000 last year, your contribution will be limited to \$29,210.

If you are unable to max out your contribution in a particular year, the balance rolls out to the next year. As the RRSP investment horizon is for a few decades, it makes sense to hold a portfolio of blue-chip stocks in this registered account and benefit from consistent gains over time.

Here, I have identified three such TSX stocks that Canadians can hold in their RRSP. These stocks have the potential to turn a \$50,000 investment into \$1 million in the next two decades.

An energy infrastructure company

TC Energy ([TSX:TRP](#)) is among the largest energy companies in Canada. In the last 20 years, the stock has returned 470% to investors in dividend-adjusted gains. Despite its stellar performance, TC Energy currently offers investors a forward dividend yield of 6.5%.

TC Energy generates stable cash flows across market cycles and is on track to report comparable earnings of \$2.1 billion in 2022. Its cash flows are indexed to inflation and backed by fee-based contracts, allowing the company to increase dividend payments each year. In the last 20 years, TC Energy has increased dividend payouts by 7% annually.

A banking heavyweight

Bank of Nova Scotia ([TSX:BNS](#)) is one of Canada's largest banks, valued at a [market cap](#) of \$77.2 billion. BNS stock has returned 553% to investors in the last 20 years and still offers a tasty dividend yield of 6.4%. However, due to the ongoing selloff in the stock market, BNS stock is down over 30% from all-time highs and is trading at a discount.

There is a good chance that rising interest rates will weigh heavily on the loan book of BNS and peers. But it will also help improve the profit margins of companies operating in this space.

Canadian banks are much more conservative compared to their counterparts south of the border. But it also means they benefit from a strong balance sheet and are better equipped to handle economic downturns. In fact, BNS has increased its dividend in 43 of the last 45 years, making it a top bet right now.

You could have purchased 870 BNS shares for \$20,000 back in October 2002. In this period, your annual dividend payouts would have risen from \$700 to almost \$3,600 today.

A recession-resistant stock

The final stock on my list is **Brookfield Infrastructure Partners** ([TSX:BIP.UN](#)). Its diversified operations across sectors have allowed the company to generate predictable cash flows and support dividend increases. Down 20% from all-time highs, BIP stock provides investors with a dividend yield of 4.3%.

However, it has returned 1,290% to investors in the last 13 years, easily outpacing the broader index. You could purchase 2,775 shares of BIP for \$20,000 back in September 2009. Today, these shares would allow you to generate \$5,440 in annual dividends, translating to an effective yield of more than 27%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:TRP (Tc Energy)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
5. TSX:BNS (Bank Of Nova Scotia)

6. TSX:TRP (TC Energy Corporation)

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