TSFA or RRSP – Better Place to Stash Cash in 2023?

Description

This next year could be a doozy for investors. We've already gone through a rough 2022, and now we're entering 2023 and it promises to be just as, if not more, difficult. There is bound to be a recession in the first half of the year. And even if it's a mild one, it's a recession nonetheless.

Therefore, many investors might be trying to figure out what they should do to keep their cash safe. Should they keep it in cash? Put it in their Tax-Free Savings Account (TFSA)? What about their Registered Retirement Savings Plan (RRSP)?

Today, let's answer that question and provide some opportunities to create growth in 2023, and beyond.

Cash?

Honestly, if there's one thing that analysts, economists, and financial institutions all keep saying, it's don't sell everything to take out the cash. The market will recover, and in Canada we're not looking like the Great Depression of 1929 when banks collapsed.

Instead, Canadian banks have done well even during the Great Recession of 2008. That's because they put aside provisions for loan losses to prevent those incredible downturns. So you can keep your cash stored safely without worrying that suddenly you'll lose it all.

This goes for your investments as well. If you've invested wisely, even relatively so, then you're more than likely going to see your shares climb back to pre-fall prices in a year or so. And given you should be investing long-term, that's not long at all in the grand scheme of things.

TFSA or RRSP?

Now, *where* should your investments be kept during a recession? While it's nice to say that you can put your cash aside and forget it, life happens. The next year could be filled with layoffs, some of which have already happened in riskier sectors such as the tech sector.

In that case, you probably don't want to make your RRSP your first priority during a recession. I'm not saying you *shouldn't* invest in your RRSP, it's a great tool to bring down your net income at tax time! I'm merely saying that if you want cash readily available in case of an emergency, your TFSA is the way to go.

While you invest, I would consider buying up Canadian banks that offer high dividends to create more income for an emergency scenario. In this case, **Canadian Imperial Bank of Commerce** (TSX:CM) is a great option.

Why CIBC

CIBC stock is a Big Six Bank with those provisions for loan losses I talked about. What's more, it's made some great changes in the last year. With more focus on its customer service, a new brand, and a stock split, it's created a lot of buzz.

But the buzz is worth it these days. Shares of CIBC stock trade at a valuable 8.2 times earnings as of writing. You can therefore lock up a 6.16% dividend yield at the time of writing this article. That's while shares are down 23% year to date!

Should shares of CIBC stock then climb back to 52-week highs, that's a potential upside of 56% as of writing! So you'll end off the year with more returns, as well as a strong amount of passive income.

Bottom line

If you're looking for cash in 2023, as well as a safe way to store it, I would stash it in your TFSA. Worst case scenario, you can always take it out if you need it. Best case, you let it grow, reinvesting your CIBC passive income as you watch your returns rise higher and higher.

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