RRSP: 2 Passive-Investing Ideas for a Comfortable Retirement

Description

It is the Registered Retirement Savings Plan (RRSP) season. The RRSP deadline for the 2022 tax year is March 1, 2023. Canadians should take a proactive approach. If possible, save and invest regularly in your RRSP instead of delaying until RRSP season to make contributions, especially if you know how much you'll be earning (and therefore know the size of contribution that makes sense).

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Because we have a progressive income tax system in Canada, it means the more income you earn in a year, the more you will be taxed for your next dollar of income based on your marginal tax rate. Consequently, in many cases, it makes sense to make numerous RRSP contributions every year instead of a big lump sum contribution in a single year.

Here are some solid dividend stocks you can consider buying and holding for passive investing. That is, you can add to your positions over time opportunistically on dips.

U.S. dividend stocks

U.S. dividend stocks that pay qualified dividends could be an excellent addition for your investment portfolio. U.S. stocks can provide more diversification in terms of sector and geography exposure. By investing these stocks in your RRSP (or RRSP turned Registered Retirement Income Fund in the future), there are no U.S. foreign withholding tax on the dividends — unlike holding the shares anywhere else. You want to hold U.S. stocks that offer nice dividend yields in your RRSP/RRIF.

One U.S. dividend stock that looks interesting right now is **Public Storage** (NYSE:PSA). Rising interest rates increased the cost of capital for companies and brought stock valuations down, including for the industrial real estate investment trust (REIT) in the self-storage space.

Earlier this month, the REIT increased its common stock dividend by a whopping 50%, boosting its dividend yield to about 4% at writing. It could be a good time to pick up the value stock that can continue growing at a stable rate of about 6%.

At $300 per share at writing, analysts believe the stock trades at a slight discount of about 11%. So, excluding valuation expansion potential, the stock might deliver annualized returns of about 10% over the next few years.

Other dividend stocks

You can also invest in other quality dividend stocks right on the TSX if you have excess room in your RRSP. For example, **Brookfield Infrastructure Partners L.P.** (TSX:BIP.UN) stock has dipped meaningfully by about 17% from its 52-week and all-time high. The utility has a proven track record of execution and delivering market- and industry-beating returns. Over the last decade, it returned about 16.8% per year, which roughly doubled investors money every 4.3 years, approximated by the Rule of 72.

It owns and operates a portfolio of long-life infrastructure assets that are diversified across industry and geography. Therefore, it has unlimited opportunities for investment based on the best risk-adjusted returns in any economic environment.

At $46.60 per unit at writing, the stock yields about 4.4% and analysts believe it trades at a discount of approximately 20%.

Foolish investing takeaway

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Grow your funds tax free until retirement, at which time you have to withdraw a certain percentage every year that will be taxed as ordinary income. Currently, Public Storage and Brookfield Infrastructure Partners are decent dividend stocks for consideration in an RRSP.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)
2. NYSE:PSA (Public Storage)

PARTNER-FEEDS

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

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1. kayng
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