



RRSP Investors: Where To Invest \$5,000 Today

Description

For the long-term Canadian investor, the Registered-Retirement-Savings-Plan (RRSP) account is a no-brainer when it comes to contributions. Contributions are tax-deductible, savings can grow tax-free, and first-time home buyers have the option of withdrawing RRSP funds tax-free to contribute to the purchase of their home.

The benefits of an RRSP may already be well known to many Canadians, but when it comes to purchasing the actual funds within the RRSP, there is no one size fits all plan for investors. Likely one thing RRSP investors do have in common, though, is their timeline.

The RRSP account is designed primarily to encourage Canadians to save for their retirement. While investors do have the option to redeem their funds at any time, long-term investors will likely reap many more benefits than short-term investors withdrawing funds before actually reaching retirement.

What should Canadians be buying in their RRSP?

Investing in stocks may seem a bit intimidating for new investors, but over the long term, they are your best bet at building up wealth for your golden years.

It has been a volatile year in the stock market, but the Canadian market has almost clawed its way back to where it began in 2020. While trading flat on the year may be nothing to brag about, the market has rebounded very impressively after dropping more than 30% in a month earlier this year. Since a March 23 low, the **S&P/TSX Composite Index** has surged an incredible 40%.

Certain industries have seen stock prices surge throughout this pandemic. Others, including the banking industry, have struggled over the recent months as interest rates have dropped considerably.

Bank stocks might not be as exciting as some of the other high-flying tech companies today, but I believe today's valuation makes some of the top banks an [excellent buying opportunity for long-term investors](#).

I've covered two of the largest Canadian companies in the finance sector. For investors with a long time-horizon looking to add a finance stock to their portfolio, either of these companies is a solid long-

term bet.

Royal Bank of Canada

Not long ago, **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) was not only the largest bank in Canada, but also the largest publicly traded company as well. **Shopify** has since claimed the number one spot with a market cap now over \$160 billion.

Valued today at roughly \$130 billion, RBC offers consumers and businesses a long list of financial products and services. Just under half of the company's earnings are driven from the Personal & Commercial segment, while the Wealth Management and Capital Markets segments account for about 20% each.

The valuation is really what makes RBC an appealing stock for me today. The company trades at a very reasonable forward price-to-earnings (P/E) ratio of about 10.8 and a price-to-book (P/B) of 1.6.

Toronto-Dominion Bank

Canada's second-largest bank, **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)), is valued at a market of \$115 billion. The Toronto-headquartered bank divides its business segments into three divisions, Canadian Retail, U.S. Retail, and Wholesale Banking.

In addition to the low valuation, the [significant exposure to the U.S. economy](#) is another reason why I'm interested in adding shares of TD. The U.S. Retail segment accounts for roughly 25% of the bank's total net income driven by the retail segments.

TD is also trading at a bargain today. The company trades at a P/E ratio of 10.5 and a very attractive P/B ratio of 1.2.

Foolish bottom line

Bank stocks might not be getting the same type of spotlight as some of the other tech favourites today, but that doesn't mean banks won't do well over the long-term.

For the patient value investor that is looking to balance out some of the more high-growth stocks in their portfolio, I believe that RBC and TD would both be great long-term buys at today's valuation.

CATEGORY

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2. Investing

POST TAG

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TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:RY (Royal Bank of Canada)
4. TSX:TD (The Toronto-Dominion Bank)

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