Avoid OAS Clawbacks: 1 Canadian Banking Stock to Help Retirees

### Description

Many Canadian retirees rely heavily on the Old Age Security (OAS) payments that they receive from the government to live comfortably. Of course, with the ample amount of savings, there are clawbacks in the OAS that can result from the government adding your total net income.



The threshold that the Canadian government has decided on imposing OAS clawbacks for the 2019 income year stands at $77,580.

Any taxable income you earn as a retiree above the amount means a pension recovery tax will take effect. The fee equals 15% of the amount above earned beyond the threshold. If your income goes beyond the $126,058 mark, the clawbacks will effectively diminish the OAS.

Many of you might be thinking that the $126,000 limit is a lot of money. You wouldn't be wrong to assume that, but it is not too difficult to hit the threshold.

You'd be surprised at how fast you can cross the limit if you receive a decent pension from your company, combined with income through Registered Retirement Savings Plan withdrawals, OAS payments, and other avenues for retirement income.

## Avoiding the clawback

You must learn how to prevent clawbacks that can reduce your retirement income. One of the best ways to avoid OAS clawbacks is through income that you can generate from your tax-free savings account. TFSAs allow you to accumulate interest, capital gains, and dividends, free of any deductions.

Any funds that you withdraw from the account will not contribute to the net world income calculated for the OAS threshold. Investing in a dividend-paying stock can help you to earn a decent amount in income through dividends, without triggering the pension recovery tax.

To this end, I'm going to discuss **Toronto Dominion Bank** (TSX:TD)(NYSE:TD). It is a dividend-paying company that can add to your retirement income via TFSA to help you live a more comfortable retirement life.

## Dividend-paying financial institution

Toronto Dominion is one of the best companies operating in Canada's banking industry. TD is not just considered to be among the safest investment options in Canada, but the bank's retail business ranks ninth in the United States.

The company's expansive operations in the U.S., primarily focused on the east coast area, leaves room for further growth in the market towards the west.

Its operations in the United States contribute to a third of total profits for the bank, giving investors a level of protection against any volatility in the domestic market. With a five-year annualized dividend growth rate of 9.6%, TD keeps on increasing the income of its shareholders.

## Foolish takeaway

The $137 billion banking institution's unique once-a-year strategy to distribute dividends increases the policy in effect. The dividend yield upon writing is 3.88%, and that sets up the stock to offer you a return of $388 every year if you hold $10,000 worth of TD stocks. If you reinvest the dividends, you stand to earn plenty more over the years.



Toronto Dominion is worth a serious look for retirees looking to avoid OAS clawbacks while maximizing the income they can get from their savings.

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