



Pension 101: 2 Little-Known Tricks to Reduce Your OAS Clawback

Description

If you're a Canadian over the age of 65 and under a certain amount of income, you may qualify for the Old Age Security (OAS) program.

To be exact, if you have less than \$75,910 of income per year, you will start getting taxed 15% on your OAS payment. If you make more than \$123,385 per year, you won't receive any OAS payments at all.

If you're retiring, you'll likely have multiple streams of income, such as your Canada Pension Plan (CPP), any employer pension benefit plan, and Registered Retirement Income Fund (RRIF) payment.

Throw in rental income from investment properties and other additional sources of income, and you might fall within that range that will see your OAS being clawed back.

Before you give up on your OAS entirely, here are a couple of little-known tricks that you can do to reduce your OAS clawback.

Defer your OAS

Many people know that you can defer your CPP payments. But did you know you can also defer your OAS payments for up to five years? If you're going to have a higher income between ages 65 and 70, you might want to consider deferring your OAS payments.

You'll receive an increase in your monthly pension by 0.6% every month you delay it and could receive a total of 36% per month more if you delay it the full five years.

Be careful, however, because if you choose to defer your OAS, you will not be eligible for the Guaranteed Income Supplement (GIS) available for lower-income Canadians. However, if you're doing this to reduce your income, you probably won't qualify for the GIS anyway.

Contribute to your RRSP

Even if you are retired, you can still [contribute to your RRSP](#) until you turn 71. If you still have contribution room available, it might be worth it to contribute to your RRSP to reduce your income.

This could be a great strategy if your income will be higher in the first few years that you turn 65 to 70. You'll have to calculate your RRIF payments after that carefully to make sure you're not running into the same clawback problems as you get older.

So, what type of stocks should you invest in your RRSP? Since you're retiring and wanting to take on less risk, look towards low-volatility dividend-paying stocks such as **Metro**. The company started as a grocery retailer when it was established in 1947. After nearly four decades of successful operations, Metro ventured into the pharmaceutical space in 1986.

Today, it's a food and pharmacy giant and Canada's third-largest grocer. Metro has about 600 food stores and 650 drugstores scattered around Quebec and Ontario.

Metro is a consumer-staples stock with a very low beta of 0.35. Consumer staples are known to have very low-volatility stocks, as demand does not decrease much, even in times of recession. The stock has performed exceptionally well this year, with a year-to-date return of 21.95%. With a dividend yield of 2.14%, Metro could be the ideal stock for you to ride out until your RRIF payments come due.

Conclusion

Try your best to reduce OAS clawbacks, because this is "free" money that is given to you by the government, which is very rare these days. These are just two of the [many strategies](#) that you can take to reduce your OAS clawbacks.

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