



## Canada Revenue Agency: The CRA Can Tax Your OAS Payments by 15%

### Description

Canadian retirees must be aware that Old Age Security (OAS) payments are treated as taxable income. Also, if your net annual income is higher than the net world income threshold set for the year, you have to pay a recovery tax.

Retirees in Canada can cover living expenses throughout retirement with the help of the OAS program. Service Canada, however, automatically deducts your income tax for remittance to the Canada Revenue Agency (CRA). What you will receive as OAS payment is net of taxes.

Once you exceed the taxable income threshold, your pension decreases due to the notorious OAS clawback. You pay by 15% of the difference between your actual income and the threshold. You can learn some [crafty ways to avoid the OAS clawback](#).

### Offset the taxes and clawback

Investment and income taxes are boon and bane to retirees. Investment is a boon because it is beneficial, while income tax is a bane since it can cause financial hardship.

Investment income can compensate for the tax deductions on your OAS payments. Long-time investors of **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) and **BCE** ([TSX:BCE](#))([NYSE:BCE](#)), for instance, are not feeling the effects so much.

Both are blue-chip companies and buy-and-hold stocks. An investor of 20 years in any of the shares is probably financially secure by now.

### Acclaimed track record

The fifth-largest bank in Canada is a dividend payer since 1868. Despite the lengthy history, CIBC was always prudent. One reason why investors stick to the bank is that it has kept its dividend payouts during the 2000 and 2008 financial crises. Following the most recent in 2008, there was a steady

increase in [quarterly dividends](#).

Had you invested in \$10,000 in CIBC in 1999, your money would have grown to \$80,135.31 today. The current yield is 5.76%, which is the highest among the Big Five banks. A \$50,000 investment today will produce \$2,880 in annual income. Holding the stock for 12.5 years will double your investment.

At the end of the fiscal year 2019, CIBC's net income slid by 3.24%. Management, however, sees a robust year ahead. The bank projects a growth rate of 4.10% and an annual average of 2.65% in the next five years.

## Forever asset

You can trace the history of BCE to as far back as 1880, when it was known as Bell Canada. At present, this \$57 billion telecommunications and media company is the most dominant firm in the telecom services industry.

If you have \$300,000 savings today and are looking to retire 25 years from now, don't delay investing in BCE. With the dividend yield of 4.94%, your investment will grow to \$1,001,000. Retirement planners often quote this figure as the magic number for retirement.

This business of this telecom giant is not vulnerable to economic downturns or bear markets. The internet and communication services are no longer luxuries but necessities.

People need to be connected 24/7. Small businesses and entrepreneurs will not thrive without the services BCE provides. Because of the vital role this telecom giant plays in the lives of Canadians, the stock will remain a "forever" asset.

## Lifetime of dividends

Tax deductions on your OAS payments won't hurt if you have CIBC and BCE, which are known providers of lifetime dividends.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. NYSE:CM (Canadian Imperial Bank of Commerce)
3. TSX:BCE (BCE Inc.)
4. TSX:CM (Canadian Imperial Bank of Commerce)

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### Date

2025/09/08

### Date Created

2019/12/17

### Author

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