



CPP Pensioners: Invest in Your TFSA to Avoid the OAS Clawback!

Description

A lot of Canadians depend on the Old Age Security (OAS) payout in their retirement. The OAS is eligible for seniors over the age of 65 and who have lived in the country for at least 10 years since they turned 18.

In order to qualify for the entire OAS payout, an individual would have had to live in Canada for 40 years after the age of 18. For the first quarter of CY 2020, the maximum monthly OAS payout stands at \$613.53. This means for an individual who has stayed for 20 years in Canada, the monthly payout will be \$306.76.

However, there is a provision for a clawback in case your net individual income is over \$79,054. The OAS clawback is a 15% tax for the amount above this threshold limit. So, one needs to minimize taxable income, which will also result in a fall in the clawback amount.

Investing in your TFSA (Tax-Free Savings Account) is an excellent option to reduce the OAS clawback. The TFSA contribution for 2020 stands at \$6,000 [and the total contribution](#) for individuals who have never invested in this account since 2009 (provided they were over 18 at the time) is \$69,500.

While the TFSA is one of the most popular investment accounts for Canadians, how do you allocate funds here? Retirees need to ensure their portfolio is a low-risk one. So, you need to buy companies that are market leaders with low betas, strong fundamentals, and robust cash flows.

Great-West Lifeco

One such company that ticks most boxes is **Great-West Lifeco** ([TSX:GWO](#)). Great-West is a financial services holding company. It is involved in the life insurance, health insurance, investment and retirement savings, reinsurance and asset management businesses in Canada, the United States, and Europe.

In the last 12 months, Great-West stock has gained 22.3%, which is in line with the returns of the S&P

500. This stock has a market cap of \$31.9 billion and is valued at 0.61 forward sales. Analysts expect company sales to grow by a healthy 15.3% to \$50.77 billion in 2019 and 11.6% to \$56.65 billion in 2020.

Sales are expected to reach \$61.88 billion by 2021, according to consensus estimates. While Great-West's earnings are estimated to fall by 1.7% in 2019, it might rise by 9.5% in 2020 and by an annual rate of 7.3% in the next five years. In the last five years, Great-West increased earnings at an annual rate of 1.6%, resulting in a stock gain of just 7% since January 2015.

The stock is trading at a forward price-to-earnings multiple of 10.7, which can be considered reasonable, especially after accounting for its juicy dividend yield of 4.8%. The company ended Q3 with cash reserves of a massive \$101 billion. Its payout ratio stands at 61%, which means Great-West has enough room to increase dividend payouts in the next few quarters.

Great-West has a price-to-sales ratio of 0.7 and a price-to-book ratio of 1.64, making it an attractive buy for value investors and retirees.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
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