Canada Revenue Agency: 2 Ways to Win by TKO Over the 15% OAS Clawback

Description

Canadians are in favour of the Old Age Security (OAS) except for one infamous feature – the 15% clawback. If you're also hoping to limit the effect of the OAS clawback, you could try two ways to win versus the taxman.

Split the pension

Couples are beginning to see the advantage of splitting the pension to reduce the clawback amounts. If your spouse has a lower income, you can elect to transfer up to 50% of your pension to your spouse to effectively reduce your overall income.

Generate tax-free income

The best way to counter-punch the OAS clawback is to generate significant tax-free income within your TFSA.

Industry pacesetter **Telus** (TSX:T)(NYSE:TU) is a no-brainer buy. This $32.48 billion company is one of three telecom giants monopolizing the industry. A company that has been growing revenues, earnings, and dividend payouts over the last 15 years should be a core holding in your TFSA.

Investors pick Telus for the following characteristics: outstanding financial profile, strong balance sheet, and investment-grade rating. The company is unstoppable in pursuing growth opportunities not only in the wireless industry, but also in the TV and internet segments.

Telus is currently ahead of its industry peers in technology, and the forthcoming 5G network should propel the company's income some more.

Should Telus require additional funding support, obtaining funds from the capital markets won't be a problem. This world-class telco is paying a generous 4.21% dividend.

Kirkland Lake (TSX:KL)(NYSE:KL) is one of the growth kings during the past decade. This $10.27 billion gold miner was the brightest TSX star from 2010 to 2019 by returning a total of 2,530%, including reinvestment of dividends.

The company's first mine (Macassa) in 2010 was a dud, but the turning point came when Kirkland gambled $1 billion on Australian gold producer Newmarket Gold. Today, the Fosterville Mine in the continent is one of the world's highest-grade and most profitable mines.

Detour Gold was delisted from the **TSX** in early February after becoming the latest subsidiary of Kirkland. Over the past year, the EPS of this gold stock shot up by 121%, which is rarely seen in the market.

It's early to say whether Kirkland will again take off like a rocket this decade. But for sure, it remains an exciting stock.

Open Text (TSX:OTEX)(NASDAQ:OTEX) is one of the top-performing tech stocks. Over the last 10 years, the company was able to deliver a total return of 512.50%. The business should accelerate in the next five years as the annual growth estimate is 11.4%.

Open Text has successfully assumed leadership status in enterprise information management. The growth runway is very long as the addressable market is estimated to be around $100 billion. As the need to manage information rises, Open Text should have more recurring revenue from new clients.

In the years ahead, expect Open Text to make more acquisitions that should raise EBITDA and lay the groundwork to increase the 1.5% dividend it pays today. Many are investing in this quality tech stock because there is balance between growth and dividends.

Tax-free earnings

By investing in Telus, Kirkland, and Open Text, you have a diversified portfolio capable of minimizing the effects of the OAS clawback. Be sure to put the stocks in your TFSA for tax-free earnings all the way.

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