



Canada Revenue Agency: 1 Thing to Know if You Get Hit by the 15% OAS Clawback

Description

Canadians benefit from the Old Age Security (OAS) pension. If you are 65 years old or older, you'll receive monthly payments from the government. But what haunts retirees is the 15% OAS recovery tax. An OAS recipient can be vulnerable to this tax bite.

No one wants to [lose a portion or all of the OAS benefits due to the clawback](#). Hence, you should be aware of the triggers or when the Canada Revenue Agency (CRA) imposes the tax penalty. The effect is the one thing you want to avoid.

Pension reduction

The one major thing when you get hit by the OAS clawback is the reduction in pension, which is hurtful to retirees. But that is how the clawback works. You either pay 15% tax or forfeit all benefits when you exceed the starting or maximum clawback thresholds.

For the income year 2020, you trigger the clawback if your annual income exceeds \$79,054. The tax penalty is 15% of the amount over the set limit. Should your income go beyond the maximum threshold of \$128,137, your OAS pension falls to zero. The recovery tax period is from July 2021 to June 2022.

Fight back

The way to fight the CRA and [minimize the impact of the notorious OAS clawback](#) is to create non-taxable income. You can do it by using your Tax-Free Savings Account (TFSA) to the max.

Set up a rock-solid dividend portfolio within your account. Among the excellent investment choices are **Brookfield Renewable** ([TSX:BEP.UN](#))([NYSE:BEP](#)) and **Brookfield Infrastructure** ([TSX:BIP.UN](#))([NYSE:BIP](#)). This pair belongs to one Master Limited Partnership (MLP) family.

MLPs are unique asset classes that appeal to income investors. Apart from the fantastic dividends,

your stock portfolio is crash-proof. Brookfield Renewable is the yardstick of green investors, while Brookfield Infrastructure is the touchstone in infrastructure networks.

Brookfield Renewable, a \$13.3 billion MLP, is the operator of renewable power assets in North America, South America, Europe, and Asia. At present, the assets combined (880 generating facilities in total) are capable of producing over 19,000 megawatts of power.

Brookfield Infrastructure has a market capitalization of \$21.5 billion and is operating infrastructure networks across various industries around the world. The company is present in sectors such as energy, water, freight, and passengers, as well as data distribution.

Both MLPs have robust liquidity positions. Brookfield Renewable has \$2.7 billion in the war chest to begin in 2020. Expect the company to invest in more projects or make strategic acquisitions aggressively. Its goal is to scale, particularly in renewable technologies.

Brookfield Infrastructure has \$1.1 billion in cash reserves that it will utilize to invest in data distribution, gas pipelines, rails, and telecommunications towers in selected international markets.

Had you invested in Brookfield Renewable and Brookfield Infrastructure in early January 2019, your gains today would be 107.97% and 60.34%, respectively.

Offset the clawback

Mute the effect of the 15% OAS clawback with two better-performing stocks in your TFSA. These Brookfield names pay an average dividend of 3.77% and offer potential capital gain.

You can't prevent the CRA from doing the clawback, but you can offset whatever the taxman takes away from your pension.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)
2. NYSE:BIP (Brookfield Infrastructure Partners L.P.)
3. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
4. TSX:BIP.UN (Brookfield Infrastructure Partners L.P.)

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