



## OAS Clawback: 2 Ways to Avoid Getting Your OAS Taken Away

### Description

The government of Canada is responsible for paying a taxable monthly payment to eligible seniors who are 65 or older. It is called Old Age Security (OAS) pension and makes the foundation of the country's retirement income system along with the RRSP, CPP, and RRIF. For the first quarter of 2020, the maximum monthly OAS payment is \$613.

To maintain the balance in the OAS ecosystem, the government has established an OAS tax recovery structure, commonly known as OAS clawback.

When a retired individual's net annual income exceeds a threshold set by the CRA, they have to pay a certain amount of their OAS benefit back to the government.

For 2020, the threshold for OAS clawback is set at \$79,054, and you have to pay 15% of the excess income back to the government.

Let's suppose you have a net income of \$85,910 for the 2020 OAS income year. Subtract the OSA threshold from your income. You need to pay 15% on that sum.

- $\$85,910 - \$75,910 = \$10,000$
- 15% of \$10,000 = \$1,500
- OAS clawback = \$1,500 per year or \$125 per month

If you are worried that the OAS clawback may bite into your income, you need to make smart decisions about its distribution and investment. Here, I recommend two measures.

### Make early RRSP withdrawal

If you're sure that your post-retirement annual income will cross the OAS threshold, make your RRSP withdrawal early to drop below the threshold.

However, you'll have to make a trade-off here. To avoid OAS clawback, you have to give up the [RRSP's](#)

tax-deferral benefit. If OAS clawback is worth more than the RRSP tax deferral, proceed with the early withdrawal.

## Make the most of your TFSA

The OAS clawback doesn't apply to the TFSA growth. If you have a spread of non-registered investments and you sense that the returns from those gigs may trigger the OAS threshold, consider moving them in your [TFSA](#).

Speaking of using TFSA to its full potential, it is always a good idea to put a growth stock in this tax-free environment. **Brookfield Asset Management Inc.** (TSX:BAM.A)([NYSE:BAM](#)) is an entity that deals with asset management in real estate, infrastructure, private equity, as well as the renewable power sector.

The company has a substantial business footprint with its five subsidiaries across four continents. The company has been registering a significant increase in annual revenues for the last 15 years. Its multifaceted asset management portfolio helps it to maintain a steady income stream and cash inflow.

The company's **TSX** performance also reflects its excellent financial performance. The BMA stock has experienced over 100% growth in the last five years. Brookfield's growing operations in renewable energy and utilities indicate that this successful run can continue.

Experts have estimated that the revenue and earnings per share of Brookfield Asset Management can increase by 8.6% and 19.4% YoY, respectively.

## Conclusion

OAS clawback will only bite you if you don't streamline and sort out your annual income intelligently. Early RRSP withdrawals and TFSA investments are effective ways to avoid that tax recovery payment. In order to grow TFSA investments with no tax consequences, consider a good growth stock for it.

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jhoang

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