OAS Pension Risk: How Seniors Can Earn an Extra $289 Per Month and Avoid CRA Clawbacks

**Description**

Canadian retirees want to boost their monthly incomes without being hit by a CRA clawback on their OAS pensions. This isn't easy to do as most income sources are taxable.



## OAS pension recovery tax

The CRA implements a clawback on OAS payments once net world income tops a minimum threshold. The target to keep in mind for 2020 is $79,054.

Now, you might think $79,000 is high and that few people would have to worry about being hit with a clawback. It is certainly an income level that would allow most people to live in comfort. However, it doesn't take long to hit the $79,000 mark and expenses can quickly eat up the after-tax cash flow.

Many retirees receive defined-benefit company pensions, CPP, OAS, and RRIF payments. On top of that, there could be income from investments held in taxable accounts. Side gigs and income from investment properties also get added to the mix.

## TFSA solution

One way to boost earnings without worrying about higher taxes or CRA clawbacks involves using the Tax-Free Savings Account (TFSA). Inside the TFSA, all interest, dividends, and capital gains are protected from the tax authorities. When you decide to remove gains from the account, the money is not used to calculate net world income.

Seniors can therefore pick up some extra income without worrying about the risk of being hit by the 15% OAS clawback.

Which stocks should you own?

The worst of the 2020 market crash appears to be over, but investors should brace for ongoing volatility. It is possible we could see a retest of the March lows sometime in the next six months.

With that thought in mind, it makes sense to search for top companies that provide essential services and have strong track records of generating reliable cash flow to support their dividends.

Let's take a look one top Canadian dividend stock that provides a 5% yield today and should be a steady holding through the downturn.

## Telus

Telus is a leader in the Canadian communications sector. The company works hard to ensure its customers are happy, and the efforts appear to be paying off. Telus regularly reports the industry's lowest postpaid mobile churn rate. This is important due to the costs involved in attracting and securing new customers.

The company's move into digital health in recent years is starting to look like a winning strategy. Telus Health is a leader in Canada when it comes to providing doctors, hospitals, and insurance firms with digital health solutions. The current pandemic is putting a spotlight on the Telus Health products and services and could be the launch of a significant growth phase for the business.



Telus should be a sleep-easy stock to hold during the recession. The dividend currently provides a 5% yield.

## The bottom line

Investors can quite easily put together a basket of top TSX Index dividend stocks that would provide an average yield of 5% today. Telus might be a good choice to get the ball rolling.

The maximum cumulative TFSA contribution limit is $69,500 per person. This would generate $3,475 per year in tax-free income at a 5% yield. That's better than $289 per month that won't put your OAS pension at risk.

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