Canada Revenue Agency: How to Generate $418 in Extra Monthly Pension Income and Avoid OAS Clawbacks

Description

The Government of Canada has a couple of pension plans to help retirees. The Canada Pension Plan and Old Age Security (OAS) are two such plans that provide residents with a monthly payment.

When will the Canada Revenue Agency tax your OAS?

The OAS security program is the Government of Canada's largest pension program. It's a monthly payment available to individuals over the age of 65. Further, to be eligible for this payment, you need to be a Canadian citizen or a legal resident and have resided in the country for at least 10 years since the age of 18.

The maximum monthly payment amount for an OAS pension holder is $613.53. However, according to the Canada Revenue Agency, if your net world income is above the threshold amount of $79,054, you would need to pay a part of your OAS pension in taxes.

The Canada Revenue Agency will charge a 15% tax on your OAS for any income above the threshold limit. If your income crosses the maximum threshold limit of $128,137, your entire OAS pension will be recovered.

One way to avoid these OAS clawbacks is to generate income inside a TFSA (Tax-Free Savings Account). As the name suggests, any withdrawal from this investment account in the form of capital gains or dividends is tax-free. That means any withdrawals from a TFSA are not included in your net world income.

According to the Canada Revenue Agency, the contribution limit for your TFSA in 2020 stands at $6,000. The total, cumulative contribution limit is $69,500. You can allocate this amount to high-quality dividend-paying stocks that will help generate a stable stream of recurring income.

These dividend stocks can create long-term wealth

Shares of **TransAlta Renewables** are trading at $14.8 which is 19% below its 52-week high. TransAlta is recession-proof as it generates stable cash flows and is part of the renewables sector that has considerable growth potential in the upcoming decade. With a dividend yield of 6.4%, this stock needs to be on the radar of income investors.

Enbridge is Canada's energy giant. It has a market cap of $87.6 billion and the stock is currently trading 24.5% below its 52-week high. The low energy prices should not impact Enbridge to a large extent as it is not an oil producer. Its vast network of pipelines helps to transport energy commodities. A significant portion of its cash flows is protected by long-term contracts. It has a forward yield of 7.5% and has enough cash reserves to sustain these payouts.

An investment company that has lost significant ground in recent times in **Fiera Capital**. This asset management firm saw outflows as investors have withdrawn capital amid the sell-off. Fiera shares have lost 35% in market value since January. This has driven its dividend yield to a tasty 9.8%.

North West Company is a Canada-based multinational grocery and retail company. The stock is trading at $25.5 which is 20% below its 52-week high. North West's grocery business is recession-proof, making its dividend yield of 5.2% safe in this uncertain environment.

If you allocate a total of $69,500 to these four stocks, the annual dividend payment will be approximately $5,021. This indicates a monthly dividend payment of $418. As these stocks are trading significantly below their 52-week highs, investors might also benefit from capital appreciation on a market rebound.

CATEGORY

1. Dividend Stocks
2. Investing

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/27
Date Created
2020/05/08
Author

araghunath