



## CRA Clawback: How Retirees Can Earn an Extra \$347.50 Per Month and Avoid the OAS Pension Recovery Tax

### Description

Canadian retirees want to boost their income without putting OAS pension payments at risk of a CRA clawback.

### CRA clawback 101

The CRA initiates a pension recovery tax of 15% on OAS payments when net world income tops a minimum threshold. In 2020, the number to watch is \$79,054. Every dollar earned above that amount triggers a \$0.15 clawback on OAS pension money received by Canadian seniors.

It is true the \$79,000 mark might be a high bar for some people. However, those who received decent defined-benefit pensions, CPP, OAS, and potentially RRIF payments can quickly top the minimum threshold. Income from other taxable sources also counts toward the calculation. This includes dividends from stocks held in taxable accounts. Money earned on income properties or from a part-time job is also part of the net world income pie.

### TFSA option

The Tax-Free Savings Account (TFSA) is one tool seniors can use to earn additional income on savings without worrying about the CRA. All income generated inside the [TFSA](#) is beyond the reach of the tax authorities, and any profits removed from the TFSA to supplement other income sources is not counted toward the net world income total.

The cumulative TFSA contribution room is now as high as \$69,500 per person. A retired couple could potentially generate tax-free earnings on \$139,000 in investments in 2020.

The market crash is keeping many investors on the sidelines, but this might be the ideal opportunity to put some cash to work. Top dividend stocks now provide the best yields since the Great Recession, and depressed share prices give new investors a shot at some decent capital gains once the market

recovers.

The [best stocks](#) to buy tend to be those that have strong track records of providing steady dividend growth. It is also important that the companies can maintain the current payouts during the recession.

With this thought in mind, let's take a look at one stock that might be an interesting pick to get the TFSA income fund started.

## BCE

**BCE** ([TSX:BCE](#))([NYSE:BCE](#)) is a leading player in the Canadian communications market. The world-class wireless and wireline network infrastructure enables people on lockdown to work from home and continue their studies online. Streaming demand is surging, and BCE should benefit from plan upgrades.

The company's media assets, which include sports teams, radio stations, a television network, and an advertising business, face some challenging months until the economy starts to open. Over the long haul, however, BCE should see the division bounce back. Media revenue accounts for about 14% of the total annual amount.

BCE raised its dividend by 5% in 2020. The distribution should be safe, even if free cash flow slips this year. The company continues to invest in network upgrades to improve customer access to high-speed broadband and protect the telecom giant's competitive advantage.

People need mobile and internet services to coordinate their daily lives. Very few will cut their TV subscriptions, especially in the current lockdown environment. This makes the bulk of BCE's operations recession resistant.

Investors who buy the stock today can pick up a 6% dividend yield.

## The bottom line

BCE is just one top Canadian dividend stock retirees can own inside a TFSA to generate tax-free income. A portfolio of premium Canadian companies could easily produce an average yield of 6% right now. That would give a pensioner \$4,170 per year, or \$347.50 per month in earnings on a \$69,500 TFSA that won't put OAS payments at risk.

A couple could generate \$8,340 per year!

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)

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