



How to Receive an Extra \$300 OAS Boost and Avoid the 15% Clawback

Description

Better late than never is the reaction of Canadian seniors who are receiving the Old Age Security (OAS) benefit. The federal government is finally rolling out a package for the elderly population that is also affected by the COVID-19 pandemic.

Workers and businesses were given [federal support](#) ahead of the seniors through the Canada Emergency Response Benefit (CERB) and Canada Emergency Wage Subsidy (CEWS). This time, the government is earmarking \$2.5 billion to boost the OAS, along with the Guaranteed Income Supplement (GIS).

Non-taxable boost

Canadians aged 65 and older who meet legal status and residence requirements are entitled to receive the OAS pension. The current maximum monthly payment is \$614, although the benefit is subject to tax.

The COVID-19 financial support will come in the form of a one-time payment amounting to \$300. Approximately 6.7 million seniors will receive the boost in June 2020. For clarity, this particular payment is non-taxable.

If you're a recipient, you should receive the full amount either through direct deposit or cheque. There will be no tax slip issued, so you don't have to include or declare the \$300 in your 2020 tax return.

OAS clawback is still in effect

I have to remind OAS recipients about the recovery tax or clawback. The [annoying penalty](#) is still 15%. In 2020, if your net income is over the minimum threshold of \$79,054, the Canada Revenue Agency (CRA) will charge you 15% of the excess. If you exceed the maximum income threshold of \$128,137, you get zero benefits.

The OAS clawback is something seniors with high income want to avoid. There are strategies you can use so as not to reduce the OAS payment. Pensioners, who are expecting income to be high between the ages of 65 and 70, can delay receiving the OAS until 70.

The upside with the delay strategy is that your OAS payment will increase by 36% (7.2% for every year of a delay from age 65). Another proven approach is to split income with your spouse to bring it down below the threshold.

Go tax-free

The best counterbalance to the notorious OAS clawback is to go tax-free and maximize your Tax-Free Savings Account (TFSA). One investment choice is the **National Bank of Canada** ([TSX:NA](#)). You're choosing this bank for dependability and safe dividends.

National Bank is the sixth-largest bank in Canada and the biggest bank in Quebec. Now is the perfect time to take a position in this bank stock. The price is only \$56.18, while the dividend is 5.06%.

The tax-free income from a \$25,000 investment is \$1,265. You already have money to offset the OAS clawback in case you trigger it. Should the market rebound, analysts are forecasting the stock price to appreciate by 29% within 12 months. The growth estimate for the next five years is 9% per annum.

In early April 2020, National Bank granted interest-free loans to roughly 20,000 small businesses and non-profit organizations. The bank has the financial muscle to extend this type of loan.

Future support

There might be more aid for seniors depending on the COVID-19 situation. The government might grant the request of some to allow limited RRSP withdrawals.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:NA (National Bank of Canada)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/26

Date Created

2020/05/29

Author

cliew

default watermark

default watermark