



## CPP Pension Users: 3 Smart Ways to Avoid the 15% OAS Clawback

### Description

Canadian taxpayers were preparing for the 2020 tax season when COVID-19 struck. The Canada Revenue Agency (CRA) promptly extended the tax filing and tax payment deadlines. The rules did not change [for the seniors](#) receiving the Old Age Security (OAS) benefits. Hence, it's best to avoid the 15% OAS clawback.

As mentioned many times before, the notorious recovery tax is something you can manage. You can still receive the full OAS benefit or minimize the penalty tax if you can reduce your net income and not go beyond the CRA's income thresholds.

Here are three smart ways to avoid the 15% OAS clawback using the Tax-Free Savings Account (TFSA) as the centrepiece of the strategy.

### Income thresholds

Be aware of the minimum and maximum thresholds first. For the income year 2019, the minimum income recovery threshold is \$77,580, while \$126,058 is the maximum. If your net income exceeds the minimum, the corresponding tax is 15% of the excess amount. Should your income reach the maximum, you get nothing.

### Use the best tool

Your TFSA is still the best tool to minimize, if not avoid, the 15% OAS clawback. Remember that all interest, gains, or profit in this investment vehicle is tax-free. The CRA can't touch even a dollar. Hence, it's always to your advantage if you can prioritize the use of your TFSA.

Most TFSA and Registered Retirement Plan (RRSP) users choose **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) as the [core holding](#). This \$90.28 billion firm is the premier energy infrastructure company in Canada. For income investors, this stock is the best in the energy sector.

Enbridge operates an extensive pipeline network that can handle 70% of the home country's capacity. The energy sector is volatile, yet the company manages to overcome the headwinds. Regardless of the market environment, Enbridge maintains its resiliency.

In the face of coronavirus pandemic, Enbridge is again using its low-risk approach to the business. The company is deferring around \$1 billion of planned secured growth capital budget this year.

With the lower energy demand, Enbridge is anticipating a volume reduction in the June quarter of 2020. As a countermeasure, it will slash operating expenses by \$300 million.

Investors shouldn't worry about the safety of dividends. Enbridge can sustain payouts. At less than \$50 per share and a 7.36% dividend, your TFSA balance could swell faster.

## Withdraw early from your RRSP

If you're maintaining an RRSP, withdraw the funds before you reach 65. Usually, taxable income is low before the retirement age. Also, taxes are due only when you withdraw your RRSP. After withdrawing the funds, re-invest them in your tax-efficient TFSA.

## Defer your OAS

Another option for seniors is to defer OAS pension for up to five years from age 65. By waiting until 70, you will receive a higher monthly pension (a 36% increase). This strategy is effective if your income level between ages 65 and 70 bumps up your income to the threshold that will trigger the OAS clawback.

## No more nuisance

Seniors shouldn't lose sleep over the 15% OAS clawback. Yes, it's a nuisance, but you can be smart and come out on top.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

**Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**

2025/08/26

**Date Created**

2020/06/13

**Author**

cliew

default watermark

default watermark