Retirees: Boost Your Monthly Income by $100 and Avoid OAS Clawbacks

Description

If you're a retiree with savings and looking to boost your monthly income, there's a way you can do that without worrying about it resulting in a clawback of your Old Age Security (OAS) benefits. OAS and Canada Pension Plan (CPP) payments are often not enough for seniors to help make ends meet, especially if they're living in cities like Toronto or Vancouver, where the cost of living is very high.

Below, I'll show you how, with about $24,000 in savings, you can boost your monthly income by $100 without taking on much risk or having to worry about the taxman.

Use a TFSA to keep your dividend income away from the CRA

A Tax-Free Savings Account (TFSA) is something all retirees should take advantage of. With the possibility of putting as much as $69,500 in a TFSA, the account can shield a lot of taxes for investors. You won't receive a tax slip, nor do you have to worry about reporting any income you earn inside your TFSA.

As long as the Canada Revenue Agency doesn't think you're operating a business (e.g., day trading within the account) then you won't have to worry about your earnings within the account being taxable.

That also means that the earnings won't impact OAS and you won't have to worry about any clawbacks, either.

Once you've got the money in your TFSA, all that's left is to choose a solid income stock to put in your portfolio to help generate those dividend payments. One stock that stands out not just for its dividend payments, but also for its stability and growth potential is **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR).

The telecom giant is a household name and a stable business that investors shouldn't have to worry about. And with the company developing Freedom Mobile, there's still potential for a lot more growth in the future.

Currently, the stock pays a monthly dividend of $0.09875. Although the company hasn't raised its payouts in recent years, investors can still earn more than 5% per year from owning the stock. And with an investment of $24,000, that would generate more than $1,200 per year in dividends. On a monthly basis, investors would be getting $100. All that income would be tax-free within a TFSA.

If you have more savings, then you could certainly add more to boost that monthly income even higher. There are other monthly dividend stocks that investors can choose. Real estate investment trusts (REITs) on the TSX typically pay dividends on a monthly basis and offer a great way to diversify.

TFSAs can offer investors lots of flexibility

One of the big advantages of a TFSA over a registered retirement savings plan (RRSP) is that you can take the money out as you need it. As the money contributed to a TFSA has already been taxed, there's no withholding tax when you go to withdraw it.

For retirees, that can add a lot of flexibility in deciding whether to keep funds invested or not. But the one mistake TFSA investors should avoid is overcontributing to the account, which can happen easily if you've withdrawn funds and add them back before there's room in the TFSA (withdrawals don't free up space in a TFSA until the following calendar year).

The TFSA is a valuable tool that can help grow your savings without incurring a big tax bill along the way.

CATEGORY

1. Investing

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1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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