CRA COVID-19 Update: Emergency $500 Payout for OAS and GIS Retirees This Week

Description

The Old Age Security (OAS) is Canada's largest pension program. In addition to the OAS, retirees with a low income are also eligible for a non-taxable benefit: the Guaranteed Income Supplement (GIS). There are approximately 6.7 million seniors eligible for the OAS pension, and 2.2 million are eligible for the GIS.

Retirees eligible for the OAS will receive a payout of $300 this week from the CRA (Canada Revenue Agency). The payout will increase to $500 for seniors eligible for both the OAS and GIS. According to the CRA, this one-time emergency benefit will be disbursed during the week of July 6, 2020.

The Government of Canada is expected to spend $2.5 billion in this program and help seniors cover increased costs due to the COVID-19 pandemic. According to the CRA, seniors will not have to apply for this one-time benefit. It will be issued automatically in the first week of July 2020.

The CRA confirms that the one-time payout is non-taxable, and recipients will not have to report this amount while filing tax returns.

How can OAS pensioners get over $300 per month without paying the CRA taxes?

The maximum monthly OAS payout for the second quarter of 2020 is $613.53. We can see that this figure is not enough to lead a comfortable life in retirement. Retirees need to have multiple revenue streams and ensure a stable and recurring income. One way to achieve this goal is by investing in quality dividend-paying stocks.

You can, in fact, generate tax-free recurring dividend income by investing in the Tax-Free Savings Account (TFSA). The TFSA is one of the most popular registered accounts among Canadians due toits flexibility. The contributions towards your TFSA are not tax deductible; however, any withdrawalsfrom this account are exempt from CRA taxes.

This ETF provides diversified exposure to quality stocks

The TFSA contribution limit for 2020 is $6,000. Comparatively, the cumulative TFSA contribution room is $69,500. You can distribute this amount equally among quality Canadian dividend giants. Alternatively, if you do not have the time or expertise to identify individual stocks, investing in dividend ETFs remains a safe bet.

Retirees can invest in the **iShares S&P/TSX Canadian Dividend Aristocrat Index ETF** (TSX:CDZ). This ETF has a diversified exposure to quality dividend-paying companies in Canada. Companies part of this ETF have increased cash dividends every year for at least five consecutive years.

The CDZ is trading at $21.93 and declined 20% year to date. This pullback has increased the ETF's forward yield to 5.6%. It means a $69,500 investment in CDZ generates $3,892 in annual dividend payments or over $320 in monthly dividend payments.

An ETF significantly diversifies investor risks and is an ideal vehicle to benefit from long-term growth. Further, when the market recovers, investors can benefit from capital gains as well.

The top holdings of the CDZ with their respective dividend yields are as below:

- **North West Company** has a yield of 4.4%
- **Fiera Capital** has a yield of 9.1%
- **Transcontinental** has a yield of 6.2%
- **TransAlta Renewables** has a yield of 6.9%
- **Enbridge** has a yield of 8%

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