



Canada Revenue Agency: How to Generate \$465 in Extra Monthly Pension Income and Avoid OAS Clawbacks

Description

The Government of Canada has a couple of pension plans for retirees. There is the Canada Pension Plan (CPP) and the country's largest pension program, the Old Age Security (OAS). These pension programs help Canadian lead a comfortable life in retirement.

Canadians over the age of 65 who have resided in the country for a minimum of 10 years since the age of 18 are eligible to apply for the OAS. According to the Canada Revenue Agency (CRA), the maximum OAS payout for a 65-year old Canadian is \$613.53, which means the annual OAS payout is about \$7,362.36.

If your annual income exceeds \$79,054, the CRA will levy a 15% tax on your OAS payments. If your net income is over \$128,137, the CRA will recover the entire OAS pension.

There are ways to avoid tax clawbacks on your OAS by the Canada Revenue Agency. One way is to generate income under the [Tax-Free Savings Account](#) (TFSA). The TFSA is one of the most popular registered accounts, as any withdrawals from the account are exempt from CRA taxes.

The CRA states Canadians over the age of 18 with a valid social insurance number can contribute to a TFSA. The TFSA contribution room for 2020 is \$6,000, while the cumulative contribution limit is \$69,500. So, retirees can limit or avoid CRA clawbacks on OAS payouts by investing in a TFSA.

As capital gain withdrawals, dividends are exempt from taxes, so it makes sense to allocate quality dividend stocks in your TFSA.

Fiera Capital has a dividend yield of 8% and can be used to supplement OAS pensions

One dividend stock that is ideal for your TFSA is **Fiera Capital** ([TSX:FSZ](#)). Fiera is an asset management company with over \$158 billion in assets under management. It aims to deliver multi-

asset solutions across asset classes to institutional, retail, and private wealth clients.

The recent [sell-off in equity markets](#) and volatility has impacted Fiera stock as well. Shares of Fiera Capital are trading at \$10.46 which is 20.6% below its 52-week high. However, it fell to a multi-year low of \$4.77 when the market bottomed out in March 2020.

Fiera Capital pays annual dividends of \$0.84 per share, indicating a forward yield of a tasty 8.03%. If you would have bought Fiera shares at its 52-week low this yield would be a staggering 17.6%.

Fiera is a Canadian Dividend Aristocrat, which means it has increased dividend payments in each of the last five consecutive years. Fiera has increased dividends from \$0.24 in 2010 to \$0.84 in 2020, a compound annual growth rate of 13.4%.

This means if you invested \$5,000 in Fiera stock back in 2010, you would have bought around 700 shares, which would have generated \$168 in annual dividends, indicating a yield of 3.36%. This figure would have risen to \$588 in 2020 or a yield of 11.8%.

So, if you invest \$69,500 in Fiera stock right now you can generate \$5,580 in annual dividend payments or \$465 in monthly dividends. If we estimate an 8% growth in dividends annually, you will generate over \$22,000 a year at the end of 20 years.

Fiera Capital is just an example of a dividend growth stock. You can look to identify similar companies and diversify your portfolio to benefit from a recurring stream of dividend income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FSZ (Fiera Capital Corporation)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date

2025/09/17

Date Created

2020/07/29

Author
araghunath

default watermark

default watermark