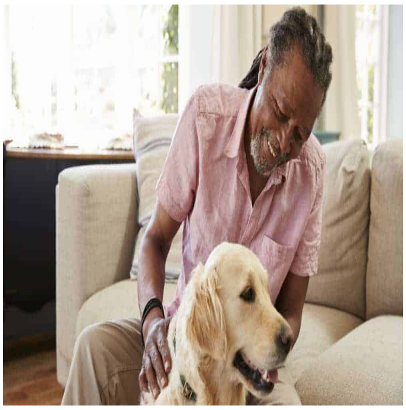

Canada Revenue Agency: How to Generate $590 in Extra Monthly Pension and Avoid OAS Clawbacks

Description

The Canadian government pays retirees a monthly pension via the Old Age Security (OAS) program. The OAS is Canada's largest pension program, and it is a monthly payment for Canadians over the age of 65. Eligible Canadians can receive up to $613.53 per month (for the July to September 2020 period), and the pension amount depends on the amount of time you have lived in Canada after the age of 18.

However, if your net annual income is higher than $79,054, you will have to repay a part of your OAS pension. The Canada Revenue Agency will levy a 15% tax on your OAS pension for incomes above the stated figure. Further, if your annual income exceeds $128,137, the Canada Revenue Agency will recover the entire OAS pension.

So, how do you avoid a clawback on your OAS payouts? One way is by holding investments in the Tax-Free Savings Account (TFSA). The TFSA is a registered Canadian account where residents can enjoy tax-free withdrawals. The withdrawals can be in the form of capital gains or dividends and are not subject to CRA taxes.

The cumulative TFSA contribution room stands at $69,500. So, where do you invest this amount for long-term gains?

This dividend REIT can supplement your OAS pension

Dividend-paying stocks are ideal for your TFSA, as you can benefit from a regular income stream as well as long-term capital gains. Due to the ongoing pandemic, commercial real estate investment trusts (REITs) have lost significant momentum due to business lockdowns. This pullback has increased the dividend yields of stocks to attractive levels.

True North REIT (TSX:TNT.UN) is one such company that operates a portfolio of commercial properties in Canada. True North stock is trading at $5.81 per share and is trading 29% below its 52-

week high. The REIT has a dividend yield of a tasty 10.2%. This means an investment of $69,500 in True North stock will generate close to $7,100 in annual dividend income or $590 in monthly dividends.

The REIT focuses on aggressively acquiring targeted and diversified real estate assets in urban cities across Canada. Its acquisition program focuses on office properties with strong tenant profiles with a high credit rating and long-term lease maturities.

True North ended Q2 with $1.4 billion in assets and a weighted average lease term of five years. It has 49 properties with an occupancy rate of 97%. It generates 76% of revenue from government and credit-rated tenants.

The REIT pays a monthly dividend of $0.0495 per share, and though the payout has remained constant since 2014, the company is unlikely to cut its dividend. The company's high-quality tenant base helps it generate stable cash flows and sustain its high dividend yield.

The Foolish takeaway

TNT stock has a price-to-book multiple of 0.94 and a trailing 12-month price-to-sales multiple of 1.5, which is a reasonable valuation. Investors often say that cheap stocks are cheap for a reason and stocks trading under $10 a share — especially those that have been range bound for several years — have something amiss with them.

However, True North REIT can provide fertile ground for making big gains if the threat of COVID-19 subsides and normalcy resumes.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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