



Did You Turn 65? Unlock These CRA Cash and Tax Benefits!

Description

Did you turn 65 this year? According to the Canada Revenue Agency (CRA), you have hit the official retirement age and can now unlock the various cash and tax benefits for retirees. You can still keep working and earning and also claim these benefits. Or you can delay some of these benefits till you turn 70, and the CRA will reward you by giving higher payouts. But there is no incentive to delay the retirement benefits beyond 70.

Old Age Security and GIS after 65

Statistics Canada enrolls you automatically to the Old Age Security (OAS) pensions. If it doesn't, you can apply for it. Under the OAS, you can get up to \$614 in OAS pension per month if your net income was \$77,580 or less in 2019. Service Canada gives you a retroactive OAS pension for up to 11 months.

For instance, Jake turned 65 on March 25, and his 2020 taxable income is \$48,000. He will get around \$4,300 in retroactive OAS pension ($\$614 \times 7$ months).

If you are earning less than \$18,624 in annual income, then you can also get a monthly Guaranteed Income Supplement (GIS) of up to \$917.29 over and above the \$614 OAS. This adds up to \$1,531 per month. In my previous example, Jake is not eligible for GIS.

CPP after 65

In addition to OAS, you can apply to the CRA to get another monthly pension under the Canada Pension Plan (CPP). Your [CPP payout will depend on](#) your average earnings in your working life, your CPP contributions, and the age you start your CPP payments. You can start claiming CPP as early as age 60 and as late as age 70. On average, you can get a monthly CPP of \$710.41 and a maximum of \$1,175.83.

Age amount tax credit after 65

The OAS and CPP add up to a maximum pension income of \$1,790, and this amount is taxable. Hence, the CRA offers you a special tax break. After 65, you can claim an age amount tax credit. When you file your 2020 tax returns in April 2021, you can deduct up to \$7,637 from your taxable income as the age amount when calculating federal tax (15%). This means your federal tax bill will reduce by \$1,146 ($\$7,637 \times 15\%$).

You can avail of the maximum tax credit if your income is \$38,508 or less. The CRA will reduce the age amount by 15% on the income earned above this threshold and \$89,421. All provinces, except Quebec, also provide age amount tax credit.

Using the previous example, Jake earned around \$9,500 above the threshold ($\$48,000 - \$38,508$). Hence, his age amount deduction will reduce by \$1,424 (15% of the excess amount). This means Jake can deduct \$6,213 in age amount from his 2020 taxable income, thereby reducing his federal tax bill by \$932.

Make the most of these benefits

The \$1,800 monthly pension might not be sufficient. You need some passive income that is not taxable. The pandemic has created an opportunity to lock in a high dividend yield for the rest of your life.

If you have savings stacked up, put some money in **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) through Tax-Free Savings Account (TFSA). The pipeline operator is giving a dividend yield of over 8%. Its stock fell 30% this year as the pandemic reduced oil demand, and Enbridge earns over 50% of its revenue by transmitting oil through its pipelines.

Enbridge maintained its dividend per share even during the pandemic because of its 42% revenue exposure to natural gas transmission. Moreover, it received contracted cash payments for future transmission. In its [third-quarter earnings](#), it also stated its intentions to increase its dividend per share.

Enbridge has a 25-year history of increasing its dividends at a CAGR of 11%. This means, \$100 dividend income in 1995 is now \$1,400 in 2020.

Investor takeaway

If you invest \$65,000 in Enbridge now, you will earn \$440 in monthly dividend income. If the company increases its dividends at a CAGR of 8.5% in the next 10 years, your monthly dividend income will increase to \$1,000 by 2030.

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