



Retirees: 4 Ways to Stop the CRA From Clawing Back Your OAS Pension

Description

Even though “the more, the merrier” is typically used in a social context (gatherings), it can also apply to money: the more of it you have, the merrier you will be. And while it’s true at every stage of life, it’s especially true for retirees, because, unlike working people, they usually don’t have an active income source or, in a lot of cases, the energy or resources to create alternative income sources.

For retirees, there are two major income sources: retirement savings and pension. Not every retiree gets to be part of an employer-sponsored pension plan, but most retirees get CPP and OAS pension. The pension income, in some cases, is more important for retirees because, unlike their savings, which keeps depleting over time, the pension amount stays the same (or is adjusted for inflation).

But the OAS pension comes with the clawback stipulation. There are many ways you can [get around this problem](#).

Defer your OAS

If you defer your OAS pension till you are 70, you will get two significant benefits. You will get a 36% bump in the monthly amount you receive. And you might deplete your taxable RRSP/RRIF income enough in the five years (between 65 and 70) that your minimum RRIF withdrawals won’t push your taxable income over the clawback edge once you start receiving your OAS pension.

Split your retirement income

You can split eligible retirement income (like RRSP, RRIF, life annuity, etc.) with your spouse. It can help you push your yearly taxable income down the OAS clawback threshold. But it’s a viable strategy for couples where one partner is earning significantly less than the other, because if your split puts them over the clawback edge, the overall result would be the same.

Consider every deduction

Anything you can write off might help you get your taxable income under control. So, make sure you consider every deduction and every tax credit you are eligible for. Some of your investment/passive income assets (like rental properties) might help also qualify you for some sizeable deductions.

Leverage your TFSA

If a sizeable portion of your retirement income is tax-free — i.e., comes from the TFSA — you might not go over the threshold and experience OAS clawbacks. If you had invested \$5,000 in **Thomson Reuters** ([TSX:TRI](#))(NYSE:TRI) in 2010 (which was the yearly contribution limit then) and chose to reinvest dividends, you'd now have \$21,900 in this asset alone.

If you take out just \$1,000 a month from your TFSA as part of your [retirement income](#), this nest egg can sustain you for almost two years. You might also consider investing your TFSA assets in a dividend portfolio. This way, you will have a steady tax-free income stream, and if some of those dividend stocks are also decent growers, your assets will grow over time.

Foolish takeaway

It's a smart idea to try and look into ways you can stop the CRA from taking back part or all of your OAS pension. But never choose a way that might cost you more in the long run. Be smart about your taxable income management and try to retain your most productive and profitable assets for as long as you can.

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Date

2025/08/24

Date Created

2021/01/23

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