



## Canada Revenue Agency: 3 Changes to Your Income Tax When You Turn 65

### Description

Turning 65 can be a treat for taxpayers. As you retire, your expenses rise while your income falls. This is the time to enjoy your life's savings instead of working for money. The Canada Revenue Agency (CRA) also wants you to enjoy this phase of life, and so it offers three tax breaks when you turn 65.

These three tax breaks include age amount tax credit, home accessibility tax credit (HATC), and pension income tax credit. All three tax credits are non-refundable. They will help you meet your rising expenses by reducing your tax bill.

### The age amount income tax credit

If you turned 65, you can claim the [age amount tax credit](#). All you need to do to get this tax credit is ensure that the CRA has your correct date of birth in its records. The CRA has increased the age amount limit to \$7,713 for 2021 from \$7,637 in 2020. Since the minimum federal tax rate is 15%, you can claim an age amount tax credit of up to \$1,157 (15% of \$7,713).

If your annual net income does not exceed \$38,893, you can deduct the entire \$1,157 from your federal tax bill. On income above \$38,893, your age amount will phase out at the rate of 15% and become zero at the income of \$90,313.

### Home accessibility tax credit

You can get the HATC if you are 65 years or older and have modified your home to deal with age-related issues. You can claim a maximum of \$10,000 in home improvement expenses. The CRA allows a tax credit of 15% on the amount you spent on improving your home. This means that you can get up to \$1,500 (15% of \$10,000) in HATC tax credit. If your family member has incurred these home improvement expenses, then he/she is eligible to claim the HATC.

The CRA has [listed the expenses](#) that you can include while claiming this tax credit. Some of these expenses are motion-censored lights, non-slip bathroom flooring, walk-in bathtubs or wheel-in

showers, hands-free water taps, widening of doors, wheelchair ramps, and ergonomic, easy-to-use door locks.

## Pension income tax credit

Once you turn 65, you are also eligible to receive pension income tax credit. If you do not use this tax credit, you can transfer it to your spouse or common-law partner. However, you can't carry forward or back any unused portion of your tax credit.

The CRA has set the limit for pension income at \$2,000. This implies that you can get a maximum pension income tax credit of \$300 (15% of \$2,000).

## Earn a TFSA pension

All of the above tax credits will significantly reduce your tax bill. You can grow these savings by investing in dividend stocks like **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) and **Canadian Utilities** ([TSX:CU](#)) via your Tax-Free Saving Account (TFSA). This account will help you enjoy the tax-free dividends you earn from both these stocks.

Both Enbridge and Canadian Utilities have a history of paying incremental dividends. Enbridge depends on its expansive pipeline infrastructure to generate revenue. Canadian Utilities depend on rising electricity prices and new infrastructure to boost cash flow. Both the stocks fell more than 30% in March 2020 as the COVID-19 pandemic hurt businesses worldwide. They have partially recovered since then as economies opened and oil demand picked up. Enbridge has a dividend yield of 7.3% and Canadian Utilities of 5.6%

If you have received a lump-sum payment of \$60,000, divide it equally between the two stocks. Your investment of \$30,000 in each of these stocks will help you earn a dividend of \$3,870 (\$2,190 from Enbridge and \$1,680 from Canadian Utilities) in 2021. If both Enbridge and Canadian Utilities increase their dividend per share at a compound annual growth rate (CAGR) of 8% over the next 10 years, then your annual dividend income will reach \$8,355 (\$4,728 from Enbridge and \$3,627 from Canadian Utilities).

This way, you can get a tax-free pension that grows with inflation.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Personal Finance

### TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:ENB (Enbridge Inc.)

## **PARTNER-FEEDS**

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

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