



Happy 65th Birthday: Don't Miss the \$615/Month OAS Pension

Description

Did you turn 65 this year? You have now reached the official retirement age and are eligible to collect a pension from Service Canada. There are various forms of pensions you can avail of: the government-funded Old Age Security (OAS) and Guaranteed Income Supplement (GIS), the self-funded Canada Pension Plan (CPP), and the Registered Retirement Savings Plan (RRSP).

In the first two pension plans, Service Canada calculates the payout based on various factors, including income, marital status, and the time you contributed. While the CPP payout is different for every individual, the OAS and GIS amount is fixed.

What's your OAS pension for 2021?

Every quarter, Service Canada calculates the OAS pension amount after adjusting for inflation. In the [first quarter](#), you can get up to \$615.37/month (\$7,384 in a year) in OAS pension if you earned less than \$ 79,845 in 2021, or \$6,654/month.

The CRA will claw back OAS at the rate of 15% on the income you earn above \$79,845 and below \$129,075. And if your net income is below \$18,648, you will also get up to \$919.12/month in GIS. This adds up to \$1,534/month in government-funded pension (OAS+GIS). Note that these amounts are taxable.

When and how to get OAS pension?

Service Canada automatically enrolls you into the OAS after you turn 65. But if it doesn't, you can apply for it and get up to 11 months of retroactive pension. To be eligible for the OAS, you should be a Canadian citizen or permanent resident of Canada when you apply.

Your OAS pension eligibility also depends on how long you have lived in Canada after you turned 18.

- You can get a full OAS pension if you have lived in Canada for 40 years after age 18.

- You can get partial OAS if you lived in Canada for at least 10 years and are residing in the country at the time of application.
- If you are outside the country at the time of application, you should have lived in Canada for at least 20 years to get partial OAS.

Should you claim your OAS pension?

You can choose to get the OAS at the age of 65 or delay it till age 70. You should consider your taxable income and your OAS amount while making this decision. If you delay your OAS, Service Canada increases your pension amount by 7.2%/year, which equates to 36% in five years. Doing the math, you can increase your monthly OAS pension from \$615.37 (at age 65) to \$837 (at age 70).

You should delay your OAS if your taxable income is high, as the pension amount will add to your tax bill. But if your income is less than \$18,648, there is no point delaying your OAS as you will also get GIS, and your tax bill will not surge significantly.

Create your TFSA pension

There is better pension income than OAS as it is tax-free and grows faster than inflation. If you have \$60,000, put that money in high-yield dividend stocks through TFSA. You will pay a one-time tax on the contribution, but you will enjoy incremental tax-free [dividend income](#) for the rest of your life.

Divide \$60,000 equally between **Canadian Utilities** ([TSX:CU](#)) and **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)). Canadian Utilities produces electricity and increases its cash flow by increasing electricity prices and building new power plants. Its predictable and rising cash flow helped it pay incremental dividends for 48 years. It has a dividend yield of 4.64%, which means \$1,390 in annual dividend income on a \$30,000 investment.

TC Energy generates, stores, transmits, and distributes electricity and natural gas. This integrated business model makes it resilient to price fluctuations and ensures stable cash flow. It has been paying incremental dividends for 20 years. It has a dividend yield of 6.17%, which means \$1,850 in annual dividend income on a \$30,000 investment.

If they increase their dividends at an average annual rate of 6%, your TFSA pension will increase from \$3,243 in 2021 to \$5,802 by 2031. You can beat inflation with this TFSA pension.

CATEGORY

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

TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:TRP (TC Energy Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
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