Canada Revenue Agency: $1,157 Age Tax Credit for All Seniors in 2021

Description

Age is just a number, but not for the Canada Revenue Agency (CRA). The government has set the official retirement age as 65. So, if you are turning 65 this year or are already above 65, you are officially a senior. The CRA offers some special benefits to all seniors, and the age amount is one of them. This credit is in addition to the basic personal amount (BPA) tax credit that you have been getting since age 19.

Are you eligible for the age tax credit?

To qualify for the age tax credit, you should meet the below requirements:

- You are a Canadian or resident of Canada.
- You have a Social Insurance Number.
- Your date of birth is updated in your tax filings.
- Your 2021 taxable income is below $90,313.

Like all tax and cash benefits, the CRA adjusts the age amount according to inflation and income. For 2021, it has set the age amount at $7,713, on which you can claim a 15% federal tax credit. This means you can reduce your 2021 federal tax bill by $1,157 (15% of $7,713). However, the age tax credit amount depends on your income.

- If your 2021 net income is below $38,893, the CRA will give you a complete $1,157 age tax credit.
- If your income is between $38,893 and $90,313, the CRA will phase out your age tax credit at 15% of your income above $38,893. This credit becomes zero if your income exceeds $90,313.

For instance, Amanda turned 65 in April. She is still working as a consultant and draws a salary of $45,000 in 2021. The CRA will phase out her age tax credit at 15% of the surplus income of $6,107, which comes to $916. She can get an age tax credit of $241 ($1,157-$916). This is over and above the $2,071 basic personal amount (BPA) tax credit she can claim. The BPA tax credit applies to all Canadians, rich or poor.

How to double your age tax credit

No matter what the government thinks, 65 is a young age to retire. Warren Buffett is 90 and still has the enthusiasm of a teenager. Don't shy away from taking tips from the 90-year-young billionaire who keeps learning from the market even today. One of his favourite investing technique is compounding. This dividend lover never loses an opportunity to lock in a high dividend yield.

You can mimic Buffett's bullishness on oil with one Canadian stock: **Enbridge** (TSX:ENB)(NYSE:ENB). The famous North American pipeline operator is trading at a 15% discount from its pre-pandemic level, inflating its dividend yield to 7.2%.

If you invest $1,000 in Enbridge through the Tax-Free Savings Account (TFSA), you will lock in at least $72 in tax-free annual dividend income. Enbridge pays regular dividends and increases them every year at an average annual rate of 10%. But the pandemic crisis has impacted oil demand, because of which its revenue growth has slowed. Hence, its 2021 dividend-growth rate slowed to 3%.

Enbridge has more pipeline and wind energy projects coming up, which will increase its cash flow. Moreover, the company is exploring the possibilities of using its existing pipeline infrastructure to transmit low-carbon energy. The company believes it can increase its distributable cash flow by 5-7%, and therefore it dividends. Even a 5% dividend growth for the next 10 years will earn you almost $905 in aggregate dividend income, almost doubling your $1,000 investment.

A little extra income won't hurt

Whenever you see retirement income, the first suggestion is dividend stocks. But you can also give a try to steady growth stocks like **Constellation Software** (TSX:CSU). This stock is in a long-term uptrend. It operates as a private equity firm for mission-critical vertical-specific software (VSS) services. Every acquisition adds cash flow and opens opportunity for maintenance services.

Operating since 1995, Constellation has a diversified portfolio of over 260 VSS providers across +120 verticals. Its diversification goes beyond its portfolio to customer base. This diversification drives stable growth for the Constellation stock, which has grown at an average annual rate of over 20% in the last five years.

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