



Retirees: OAS Will Jump Higher in 2021

Description

Canadian retirees will have more money in their pockets this year. The Old Age Security (OAS) benefit automatically increased by 1.3% effective July 2021. Instead of \$618.45, an eligible recipient (65 years and above) could receive the maximum monthly OAS pension of \$626.49. The increase should be worth up to \$96.48 over the coming year.

Lower-income seniors won't be left behind, as the Guaranteed Income Supplement (GIS) and the Allowances will also adjust for inflation. Furthermore, the government announced a one-time \$500 this summer for older seniors (75 and above) who are OAS pension eligible in June 2021.

For retirees with investable funds and looking for [higher investment income](#), **Extendicare** ([TSX:EXE](#)) and **Sienna Senior Living** ([TSX:SIA](#)) are excellent choices. Canada's leading providers of care and services for seniors pay [generous dividends](#). You can boost your disposable income to cope with rising living costs.

Beware of OAS reduction

Higher-income seniors dread the 15% OAS clawback the most. For the income year 2021, be mindful of the minimum and maximum income recovery thresholds. During the recovery tax period from July 2022 to June 23, 2021, your net world income in 2021 shouldn't go beyond \$79,845 (minimum).

The Canada Revenue Agency (CRA) imposes a recovery tax equivalent to 15% of the excess. Also, the OAS benefit will reduce to \$0 if your net income reaches \$129,581 (maximum).

Return to normal operations

Extendicare in the healthcare sector pays a 6.03% dividend. Assuming you have \$20,000 free cash, you can purchase 2,497 shares (\$8.01 per share). The healthcare stock will produce \$1,206 in passive income. Since the payouts are monthly, it should translate to \$100.50 per month. The amount is significantly higher than the \$8.04 OAS monthly increase in July 2021.

The \$717.41 million company is one of the few TSX [dividend stocks](#) that pays monthly dividends. Extendicare even outperforms the broader index (+25.24% versus 17.50%) thus far in 2021. Meanwhile, operations in long-term-care (LTC), retirement living, and home healthcare services are returning to normal, as the pandemic's impact recedes.

In the first half of 2021, total revenue and net earnings increased 13.74% and 313.13%, respectively. Management said that Extendicare has strong liquidity, and the subsequent debt maturity is Q1 2022.

Adequate funding support

Like Extendicare, Sienna Senior Living displays resiliency on the stock market (+15.61% year to date). At \$15.76 per share, the dividend yield is 5.95%. The \$1.06 billion company has two business segments: retirement (27) and LTC (43) residences.

The business is slowly recovering from the pandemic's fallout, although the average same property occupancy rate is below 80%. In the first half of 2021, total revenue declined 1.42% compared to the same period in 2020. However, Sienna reported a net income of \$40.4 million versus the \$9.2 million net loss.

Sienna's advantage is funding support for vacancies and pandemic-related expenses. In the six months ended June 30, 2021, it received a total of \$52.9 million in government assistance. Management said that as of August 10, 2021, Sienna had no active COVID-19 cases across in any of its owned and managed residences.

Forthcoming OAS increases

Deb Schulte, the minister of seniors, said the government would continue to provide financial security in retirement. Starting in July 2022, retirees 75 and over will receive 10% more. The OAS monthly pension will increase to \$766, or \$9,192 annually. Dividend investing is also an option for retirees who need more than just the OAS pension.

CATEGORY

1. Dividend Stocks
2. Investing

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