

## Old Age Security Basics

You probably know that you're eligible for Canada Pension Plan (CPP) and Old Age Security (OAS) when you retire, but where can you get the details? How much can you expect? When? What options will you have? We dealt with [CPP in an earlier blog](#) – this blog does the same for OAS.

There is one important difference between CPP and OAS ... OAS is a universal benefit available to Canadian residents age 65 or older. OAS is completely funded out of government general revenues and, unlike CPP, you do not need to contribute. OAS is entirely subject to the government's ability and willingness to continue to pay benefits. OAS has been subject to cutbacks in the past and could well be cut back in the future.



### How much can you expect?

Any person (other than incarcerated persons) age 65 or older is entitled to the full OAS pension after 40 years of residence in Canada, following age 18. Residence in a country with a Social Security Agreement with Canada may count towards eligibility and should be explored at application. A partial prorated pension may be payable after 10 years of residence. OAS benefits are taxable and are adjusted quarterly for inflation. The maximum OAS monthly pension as at October 1, 2017 is \$585.49.

If you have a low income, you may also be eligible to receive the Guaranteed Income Supplement (GIS). More information on GIS can be found on the [Service Canada website](#) (Search for "Service Canada GIS").

If you have a high income, you may be subject to a clawback of your OAS pension. Pensioners with an individual net income above a certain threshold (\$74,788 in 2017) will have their OAS pension reduced. OAS pensions are reduced at a rate of \$0.15 for every \$1 above the threshold. In 2017, a pensioner with an individual net income of \$121,070 or more would be subject to a full clawback of his/her OAS pension. These thresholds increase every year based on increases in inflation.

### When can you start payments?

You can choose to begin your OAS pension any time between ages 65 and 70. Your pension amount will be increased for every month you delay the start date past age 65. For example, OAS pensions commencing at age 70 will be 36% higher than those commencing at age 65. (Note that you might not want to do this if you are lower income, as you won't be eligible for GIS if you haven't started your OAS.)

### What are your options?

Your main choice is whether to take OAS at age 65 or to delay commencement and receive a larger monthly payment. As with CPP, there is a computable "break-even age" (83) and you will want to think about which side of this break-even age you are most likely to enjoy, or need, the money.

You will also want to think about how you might reduce the chances of your OAS pension being clawed back. Here are three strategies:

1. Split other pension income with your spouse. Basically, you are looking to reduce your net taxable income, so as to lessen the amount of any OAS Clawback. Types of pension income that are eligible for income splitting include:

- Pension income from a defined benefit pension plan
- Annuity and RRIF/LIF payments after age 65
- CPP pension (through application)
- Spousal RRSP (at source when contributions are made)

Visit <http://www.cra-arc.gc.ca/pensionsplitting> for more information on income splitting (or search for "CRA pension splitting rules").

2. Maximize your Tax Free Savings Account (TFSA). Income from a TFSA does not count toward income that is subject to OAS Clawback.

3. Delay your OAS while you spend your RRSP savings. After age 71, you must start withdrawals from your RRSP. Plan carefully to ensure you manage your tax situation, and OAS clawback, throughout retirement.

## Applying for OAS

Apply for your OAS pension approximately six months before your anticipated retirement date. For more information about how to apply for your OAS pension, visit the [Service Canada website](#) (Search for "Service Canada OAS").

As of late 2014, the government started phasing in a proactive enrollment process to eliminate the need for eligible seniors to apply for their OAS or GIS pension. However, if you are not contacted before the month after you turn age 64 you should contact Service Canada.

Need More Information? Search online for "Service Canada OAS." If you prefer to speak to a Service Canada representative, the toll-free number is 1.800.277.9914 (TTY: 1.800.255.4786).

<http://www.retirementworks.ca/theworks/blog112017-Old-age-security-basics.html>

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