

# What is Old Age Security (OAS) and what can you expect from it?

The OAS program is part of the Canadian Government's largest pension plan and it is funded from general tax revenues, such as income tax and GST. We do not pay directly via employer and employee contributions like we do with CPP.

As of the 2<sup>nd</sup> quarter of 2020 the maximum monthly OAS payment is \$615.53; payments are adjusted quarterly based on inflation.

## What are eligibility requirements?

- Must be 65 years old or older
- Be a Canadian citizen or legal resident
- Must have resided in Canada for a minimum of 10 years since age 18
- For those living outside of Canada they must have resided in Canada for at least 20 years from the age of 18

In addition to the OAS pension, there are three types of additional benefits:

## Guaranteed Income Supplement (GIS)

- For those with low income from all sources, in 2020 they may be entitled up to an additional \$301 per month
- Unlike CPP and the basic OAS, these benefits are not taxable
- You must reside in Canada and file a tax return annually

## OAS Allowance

- Available for those aged 60 to 64 whose spouse is receiving the OAS pension and the GIS
- Total income for both spouses combined can not exceed \$34,416
- You both must reside in Canada and file annual tax returns

## Allowance for the Survivor

- Available for those 60 to 64 and are widowed and have not remarried or entered a common-law relationship
- You must be a resident of Canada and have total income less than \$25,056

Note that all three additional benefits have eligibility requirements based on total income which can be impacted by investment returns such as interest income, dividends, capital gains and net rental income.

### **What is the OAS “Clawback?”**

For those with net income of \$79,054 or higher, a Recovery Tax is implemented that is “affectionately” referred to as “the clawback”. OAS is reduced proportionately on income between \$79,054 and \$128,137, at which point it ends completely.

### **Can OAS be deferred to a later date?**

Yes, benefits can be deferred up to 60 months (5 years) from the date of eligibility, which is your 65<sup>th</sup> birthday.

By deferring, the OAS payments increase by 0.6% monthly for each month after age 65 up to a maximum of 36% at age 70. For those actively working between the ages of 65 and 70, and who do not require the additional income, it is to their advantage to defer.

Other seniors defer the start of OAS if they are currently impacted by the “Clawback” and choose to start benefits later, when their net income falls below the threshold amount. It is important to stay on top of the threshold amounts as they are frequently updated.

### **How do I start OAS, and can I cancel or defer later?**

Canadians automatically receive notification of their OAS eligibility a few months before their 65<sup>th</sup> birthday. For those wishing to defer the OAS start date, a letter to Service Canada will suffice or accessing your online account at My Service Canada and following the website’s instructions.

Canceling OAS benefits once the benefits have started can only be accomplished if you have received less than 6 months of benefits and repay the full amount at the time of notifying Service Canada of your intentions.