RESEARCH CAPITAL CORPORATION

Old Age Security and Minimizing Clawbacks

By Kevin Dolan

Old Age Security (OAS) is a taxable monthly social security payment program available to most seniors aged 65 and older, which may be available even if a person has never worked in Canada.

Eligibility for OAS

If you live in Canada, you must:

- be at least 65 years old;
- be a Canadian citizen or legal resident at the time the OAS application is approved; and
- have resided in Canada for at least 10 years since the age of 18.

If you live outside of Canada, you must:

- be at least 65 years old;
- be a Canadian citizen or legal resident at the time the OAS application is approved; and
- have resided in Canada for at least 20 years since the age of 18;
- but those working for Canadian employers are also subject to specific rules.

There are 2 levels of OAS payments as of 2025:

1. Canadians aged 65 to 74 can receive up to a maximum of $727.67 per month.
2. Canadians aged 75 and older can receive up to a maximum of $800.44 per month.

OAS Clawback

The government applies the OAS recovery tax, or clawback, once a person's net income exceeds $93,454 in 2025, but this amount changes annually. The clawback is at a rate of 15% until OAS has been eliminated completely, which occurs once net income reaches $157,490, which also changes annually.

How do I minimize OAS clawback?

1. If available, make withdrawals from a TFSA. TFSA withdrawals are not taxable and are not included in the taxpayer's income, making them exempt from clawback.
2. Limit exposure to dividend-producing investments or hold these investments in a registered account.
3. If you are working and have income between $93,454 and $157,490, delay receiving OAS until your income is lower.
4. Consider using corporate-class mutual funds within a non-registered account instead of mutual fund trusts, dividend-paying stocks, or bonds.
5. Consider basing RRIF withdrawals on a younger spouse's age to reduce the amount that is required to be withdrawn yearly.
6. If you are 65 or older, you are eligible to income split your RRIF, CPP or pension income with a spouse or common-law partner. Doing so will help reduce net income and hopefully avoid or reduce clawback.

199 Bay Street, Suite 4500, Toronto
kdolan.researchcapital.com
KDolan@researchcapital.com