

GOVERNMENT PENSIONS

Question : In another presentation, we talked about Canada Pension Plan. This column we deal with the highlights of the Old Age Security (OAS) Program which is the non-contributory part of Canada's public pension system. Benefits include the basic OAS pension, the Guaranteed Income Supplement (GIS) and the Spouses's Allowance (SPA).

Basic OAS Pension

To qualify for an OAS pension, a person must be 65 years of age or over. They must also meet the citizenship requirements. A person who cannot meet the requirements for the full pension may qualify for a partial pension. The amount of a person's OAS pension is determined by how long he or she has lived in Canada, according to existing rules.

Pensions are increased quarterly based on increases in the Canada Price Index. When a taxpayer's "net income before adjustments" for a year is more than \$53,215, the OAS pension will be reduced by 15 per cent of the income in excess of that amount. Officially called a "recovery tax", the reduction was originally a repayment - commonly referred to as a "clawback". It is now deducted at source. Since it is calculated on an individual basis, such a reduction does not affect the OAS pension of a low-income spouse.

Starting in April 2023, the age of eligibility for the Old Age Security pension and the Guaranteed Income Supplement (GIS) will gradually increase from 65 to 67 over six years, with full implementation by January 2029. This change will affect people born in 1958 and later.

Guaranteed Income Supplement

The GIS is a monthly benefit paid for those who receive an OAS pension and who have little or no other income. The GIS is not subject to income tax. The benefit is indexed quarterly to the CPI in the same manner as the basic OAS benefit. The maximum monthly amounts are based upon income and marital status. There are restrictions for immigrants.

Benefits are also subject to an income test. They are recalculated each year based on income earned in the previous calendar year. As a result of these reductions, single OAS recipients will only qualify for GIS benefits if their annual income from sources other than OAS is less than a defined amount.

Spouse's Allowance

The SPA may be paid to the spouse of an OAS pensioner, or to a widow(er). To qualify, an applicant must be between the ages of 60 and 64, and must have lived in Canada for at least 10 years after turning 18, as well as at the time the application is approved. The SPA is not subject to income tax. It is income-tested (in a manner similar to the GIS) under a complex formula. Spouses qualify if the other spouse is eligible for the GIS and the combined annual income from sources other than OAS is less than a defined amount.

Widow(er)s also qualify if the annual income from sources other than OAS is less than another defined amount. Payments stop when the recipient becomes eligible for the OAS or leaves Canada for more than six months.

Government Help

HRDC maintains a telecentre that may be called free of charge 1-800-277-9914 for service in English. This number should be called to obtain application forms and help, if required, in completing the forms, as well as service for established accounts. Most questions or inquiries can be resolved by a telephone call.

Need further clarification or help, give us a call at 613-475-5109,
Toll-free 1-866-475-5109, ext #1; Fax 475-1581,
e-mail DaveS@lighthousewealth.ca;
Be sure to visit our website at www.lighthousewealth.ca

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