

OAS changes

The rules for Old Age Security (OAS) changed in June 2012. The most significant rule changes affect Canadians born after 1957.

Born in 1948

If you were born in 1948, have you started to think about applying to receive your OAS benefits? They can start in the month after your 65th birthday in 2013.

If you are already 65 and your 2011 income exceeded \$110,038, maybe you feel no urgency about applying for OAS. Even if you feel that the OAS recovery tax will simply claw it all back, you should apply for OAS.

If your entire OAS is withheld at source you will still receive a tax slip asking you to report OAS benefits as income. OAS deducted will be treated as a credit to apply towards tax payable.

Defer to enhance

Starting on July 1, 2013, you will have the option of deferring the start of your OAS payments for up to five years. If you can afford to wait and you were born after May 31, 1948, you may choose to voluntarily defer your OAS start date to receive benefits enhanced by 0.6 per cent per month of deferral.

For example, someone who waits until age 70 to draw OAS could receive \$8,814 annually instead of \$6,481.

Of course, you would only defer OAS if you were in good health since it would take 14 years for the increase in OAS to compensate you for missing 5 years of benefits.

Born after 1957

Depending on when you were born you may have to wait longer to be eligible for OAS.

Canadians born on March 31, 1958, or earlier will not be affected. Those born between April 1, 1958, and January 31, 1962, will have an eligibility age between 65 and 67.

Born after 1962

Those born on or after February 1, 1962, will have an eligibility age of 67.

Will waiting an additional 2 years to be able to receive OAS benefits affect your retirement goals? To compensate for missing two years of OAS benefits (about \$12,800) you should start saving between \$500 and \$1,000 extra each year if you plan to retire at 65. Otherwise, you could work longer.

Apply for OAS

The ISP3000 form that you need to apply for OAS is available online. Search for “Service Canada electronic forms.” You can arrange to have monthly benefits electronically deposited to your bank account.

Apply for GIS

Apparently, there are still about 125,000 seniors who have neglected to apply, despite being eligible, for Guaranteed Income Supplement (GIS), the income-tested OAS top-up.

GIS is available if other income (excluding OAS) is less than \$16,512 a year for individuals or \$21,840 for couples. Currently you must apply to receive GIS.

Is it possible you could have been eligible for GIS during the past 11 months, but you forgot to apply? If there is a chance, complete a GIS application for July 2011 to June 2012 plus a GIS application for July 2012 to June 2013.

What if your spouse has died recently? You can apply for GIS as a single person and exclude pension splitting allocations that you added to your income for tax purposes.

Starting in 2013 eligible seniors will no longer need to complete an OAS pension or GIS application. Provided you file income tax returns, Service Canada will determine who is eligible but not receiving GIS. They call this “proactive enrolment.”

Residency

Since 1977, Canadian residency is a factor in determining OAS eligibility. If you have not continuously been a resident of Canada for the past 40 years, you have additional questions to answer.

It is prudent to apply for OAS six months before you turn 65.

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November 4, 2012