

OAS Clawback



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Basics

The OAS clawback is a repayment requirement for high-income tax payers. The clawback is a progressive repayment initiative that ensures social insurance funds are used only by those who need them most. High-income earners have less need for government assistance in retirement, and consequently are required to pay back up to all of their OAS benefit. The clawback is indexed to the CPI, so the OAS clawback threshold rises with inflation.

Calculation

- The clawback calculation is based on individual (not household) net income
- The clawback requires a repayment of 15% of your OAS income when net income exceeds the OAS threshold
- If your net income is high enough above the threshold, you could lose all of your OAS pension to the 15% clawback rate

2013 OAS Threshold \$70,954

- 15% of income beyond this level is subject to a clawback, to a maximum of the individual's entire OAS benefit

Example

Here is an example for a Canadian earning full OAS pension and \$100,000 annual income. You can also use this form to calculate your clawback effect.

Target Retirement Income	\$100,000
<i>Minus Clawback Threshold</i>	\$70,954
Income Over Threshold	\$29,046
<i>Times Clawback Rate</i>	x 0.15
Clawback Effect	\$4,356.90
Full OAS Pension	\$6,552.84
<i>Minus Clawback Effect</i>	\$4,356.90
OAS After Clawback	\$2,195.94

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Clawback-Reduction Strategies

There are wide arrays of strategies to reduce the effect of the OAS clawback, ranging from tax planning to income splitting to investment decisions.

The Steele Wealth Management has a strong foundation in tax planning and can provide tax-efficient investment and financial planning strategies. [Ask us how we can reduce the effect of the OAS clawback on your benefits.](#)

Sources

Service Canada (Online).

<http://www.servicecanada.gc.ca/eng/isp/pub/factsheets/oasrepay.shtml>

*All conditions, benefit levels, and other figures apply to 2013 OAS regulations.

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