



Helping seniors prepare for OAS changes

Get ready for an OAS index adjustment, a one-time payment for “older” seniors and an extra 10% for seniors over 75

- By: [Jamie Golombek](#); July 30, 2021

August may be a good time to reach out to your clients who are seniors to let them know they may be in store for some extra cash over the months ahead. Namely, there’s an Old Age Security (OAS) indexation adjustment, a special \$500 one-time payment for “older” seniors and, come 2022, an extra 10% annually for seniors over the age of 75. Let’s review each of these changes.

OAS indexing

The objective of the OAS program is “to ensure a minimum income for seniors and help reduce the incidence of low income among Canada’s seniors.” The OAS benefits include: the OAS pension, which is paid to all individuals aged 65 and older who meet the residence requirements; the Guaranteed Income Supplement (GIS) for low-income seniors; and the Allowances for low-income Canadians aged 60–64 who are the spouses or common-law partners of GIS recipients, or who are widowed or widowers.

In July 2021, OAS benefits were automatically increased by 1.3%. That means the maximum monthly OAS pension amount is now \$626.49, up from \$618.45. The GIS and the Allowances for lower-income seniors were also adjusted for inflation.

Higher-income seniors, of course, could see some of their OAS clawed back due to the dreaded 15% OAS “recovery tax.” For 2021, OAS is reduced if the senior has net income greater than \$79,845 (line 23400 of the personal tax return) and is fully clawed back once income hits \$129,581. Because OAS benefits are determined on an individual net income basis, a couple could have an annual household income of up to about \$160,000 and still

receive their full OAS benefits, or household income as high as about \$258,000 and still receive partial OAS.

Most seniors, however, have low and modest incomes, with about 84% of OAS pensioners having individual incomes below \$50,000.

One-time payment

In July, the government announced that during the week of August 16, 2021, it will be paying “older” seniors the \$500 one-time OAS payment that was originally announced in the 2021 federal budget. This additional payment, worth \$1.7 billion in total, is in addition to the one-time GST/HST credit most seniors would have received in April 2020 (worth \$1.3 billion in total) and the one-time OAS/GIS payment seniors received in July 2020 (worth \$2.5 billion in total).

According to the government, this summer’s one-time payment of \$500 will “support older seniors’ higher expenses,” and is estimated to apply to 3.3 million seniors who are eligible for the OAS pension in June 2021 and were born on or before June 30, 1947, meaning they will be 75 by July 1, 2022. No action is required by eligible seniors, who will automatically receive the payment.

OAS increase for older seniors

Finally, you may recall that the 2021 federal budget also announced a permanent increase of 10% to the OAS pension, starting in July 2022, for seniors aged 75 and over. The government estimates that this will provide an additional \$766 to full pensioners over the first year and trumpeted the move as “the first permanent increase to the OAS pension since 1973” beyond the annual inflationary adjustments.