



# How Do I Optimize GIS Payouts?

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First off, what is a GIS payout? This is a guaranteed income supplement to the OAS payout which occurs when you begin to receive OAS payments between the ages of 65 to 70. (1) You are eligible for GIS if your income is below \$18,624 for a single person in 2020. There are different income thresholds for couples and whether or not one or more spouses is receiving the OAS pension.

What is the income calculation for GIS?

With many tax calculations, income will depend on what the calculation is being used for. For income taxes, the net income on the tax return is used to calculate the income taxes owing. For RRSP contribution room, employment and business income is used for the calculation. For GIS, the income calculation is income from all sources except for the OAS pension. You can also have deductions that reduce the income like RRSP contributions, union dues and employment expenses. The GIS income calculation is revisited each year and the GIS payments are based on the previous years' income.

Strategy

The 2 most common strategies are keeping income low to maximize the GIS, and changing the timing of the income so that GIS can be paid over more years. The lower your income from all sources, the higher the GIS.

Lowering Your Income

If you have RRSP contribution room and you have not used it, you can contribute to your RRSP until age 71 and claim deductions to lower your income. This may not be optimized if you account for the income taxes that you may be paying, so this should be considered when using this strategy.

Do you have business income and can claim higher expenses? The income from a business can be affected by how many expenses you claim. Claiming expenses is optional, so this can be increased or decreased depending on what your situation is. The same idea can be applied to employment expenses if you have a job that qualifies for this. Business or employment losses can lower the net result when factoring in other types of income.

Do you have a TFSA versus an RRSP or non-registered account? Shift your income from withdrawals to your TFSA because it is not reported on your tax return. Canadian dividends actually make your income higher, so these should be put into registered accounts for optimizing GIS. Typically, Canadian dividends should be held in non-registered accounts to take advantage of the Canadian dividend tax credit. Both scenarios should be looked at to see which account should have the Canadian dividend income.

Do you have capital gains? If these are not crystallized (sold), they will not affect your GIS payments. If you do need to sell your holdings, sell your losses in the same tax year to keep the net effect lower. Note that capital losses can only be used against capital gains.

#### What About Timing?

There are cases where income can be lowered for a while, but then it is not possible. One of these situations is when to start taking your CPP. You can take CPP at any age from 60 to 70 years old. The later you start taking it, the more GIS you will likely get. Once you begin taking CPP, you cannot turn it off. This option needs to be weighed against not having CPP income, and perhaps death before the CPP is started.

Another similar situation is when to draw down your RRSP or convert it to a RRIF. If you do have an RRSP, it must be converted to a RRIF by age 71, with payments starting at age 72. This will reduce your GIS or eliminate it, but you can obtain GIS until this age. If you have a LIRA, the same decision applies. Once you convert the LIRA into a LIF or annuity, your income will rise, so this can be delayed for the same reasons as the RRIF.

The decision to optimize GIS payments will depend on many factors, but these are some of the strategies that can be considered to customize your strategy.

- 1) <https://www.canada.ca/en/services/benefits/publicpensions/cpp/old-age-security/guaranteed-income-supplement.html>