

## Maximizing Old Age Security payments

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**Question:** My wife is retired and is now 59 years old. She receives a small government work pension of \$940 per month, which is indexed for inflation. She has a total of \$217,000 in her RRSP which consists of bonds, bond funds and equity mutual funds. Is it more financially advantageous for her to leave her RRSP as is (we do not need the income) until she has to convert it to a RRIF in 10 years or should she gradually draw from it to maximize her Old Age Security payments later on?

**Answer:** You should leave the money in your wife's RRSP. While you raise a good point that Old Age Security (OAS) can be clawed-back, this will only happen if your wife's income exceeds \$60,806 (for 2005). Your wife's income is unlikely to exceed this if she only receives \$940 (plus inflation) per month from her work pension plus her CPP and RRIF payments.

Closing RRSPs prior to age 60 and investing the money into a non-registered investment account may be a good strategy for low-income Canadians whose RRIF income may reduce their eligibility for government benefits, but this is not your situation.

Another good reason to leave the money within the RRSP is that you do not need the extra retirement income. The money will continue to grow in a tax-sheltered environment for many years into the future. Also, if the beneficiary on the RRSP or RRIF is a spouse, on the death of the first spouse all of the money in the RRSP or RRIF will roll-over to the surviving spouse without immediate tax consequences.

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