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Supersize your OAS Payments

You've no doubt heard that if you were born in March 1958 or later, you'll have to wait longer to start collecting Old Age Security (OAS). But did you know that another new rule change means you can choose to supersize your payouts? Starting next year, people who opt to take OAS later will be compensated with larger monthly payments.

Starting July 1, 2013, you'll be able to delay the start of your OAS for up to five years. In return, your payouts get bumped up by 7.2% for every year you defer. That means that you'll get fewer payouts over your lifetime, but they will be bigger. Seniors currently receive a maximum OAS payout of $6,481 a year starting at age 65, so deferring OAS by one year can increase that by $467 annually (plus inflation adjustments). Deferring five years will give you a hefty $2,333 annual boost in current dollars.

Deferral tends to make sense if you expect to live particularly long. Of course that's hard to predict, but it's more likely if you're in good health and your older relatives lived exceptionally long lives. Waiting to start OAS may also make sense if you work past 65 and you're in a high tax bracket. In that case, waiting to take OAS could result in considerable tax savings.

By David Aston | From MoneySense Magazine, June 2012