October 2024

Low Income Retirement Planning

Four things to think about

Maximizing GIS

A background paper on retirement financial planning for Canadians with very low income

Determining OAS and GIS eligibility for people who come to Canada as adults

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What is...

RRSP Registered Retirement Savings Plan

This is a way of saving for retirement that helps people lower their taxable income. This is not a smart way to save for most people whose incomes are so low that they pay little or no income tax.

RRIF Registered Retirement Income Fund

When a person turns 71, the bank turns their RRSP into a Registered Retirement Income Fund or RRIF. They must take some money out of the RRIF each year. The money is taxable.

Sponsor

Some people come to Canada as sponsored immigrants. This means that another person, often a family member, agrees to be responsible for them financially for 10 years, now 20 years.

Spouse

A spouse is a person that you are married to or who is your common-law partner.

TFSA Tax Free Savings Account

This is an account you set up at a bank. You can put in $6,000 a year. If you earn interest on your savings, you do not have to pay tax on the interest. The interest does not count as income when you apply for the Guaranteed Income Supplement. This is a smart way to save for people who have very low incomes.

CPP Canada Pension Plan

If you paid into the Canada Pension Plan, through deductions on your payslip during your working life, you can get a monthly Canada Pension as early as age 60.

GIS Guaranteed Income Supplement

At age 65, people with little or no income other than Old Age Security pension may get an extra monthly benefit called the Guaranteed Income Supplement (GIS).

OAS Old Age Security

If you meet the residence requirements, you can get a modest monthly OAS pension, starting at age 65. There is also a monthly Allowance for low-income spouses and common-law partners of OAS pensioners. When the OAS pensioner dies, the spouse can receive the Allowance for the Survivor. The spousal benefits are available from age 60 to 64.

ODSP Ontario Disability Support Program

This program provides benefits to people with disabilities in Ontario before they start receiving Canada Pension (Retirement), Old Age Security pension, and the Guaranteed Income Supplement.

OW Ontario Works

This program provides social assistance to low-income people in Ontario before they start receiving Canada Pension, Old Age Security pension, and the Guaranteed Income Supplement.

Canada's retirement income system has three parts:

1. **Old Age Security (OAS)**: If you meet the residence requirements, you can get a modest monthly benefit at age 65. People with little or no income other than OAS pension may get an extra monthly benefit called the **Guaranteed Income Supplement (GIS)**. There is also a monthly **Allowance** for low-income spouses and common-law partners of GIS pensioners. All widows and widowers can receive the **Allowance for the Survivor if, in low income and have not entered into a new relationship**. These spousal benefits are available from age 60 to age 64.

2. **The Canada Pension Plan (CPP)**: If you paid into CPP during your working life, you can get a monthly pension as early as age 60.

3. **Private pensions and savings**: If you have a pension through work and/or have saved for retirement, this is the third part of your retirement income.

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Prepared by John Stapleton, Open Policy Ontario
Figures based on 2012 and 2024 information

Low Income Retirement

Four things to think about

What is a 'low income'?

What will your family picture be when you are age 65?	As of October 2024,* you will be low income if your income (not counting Old Age Security of $8,560.08 single and $17,120 couple) is under:
Single person	**$22,056**
Couple, both getting Old Age Security (OAS pension)	**$29,136**
Couple, only one partner getting OAS, other partner is under 60	**$52,848**
Couple, one partner getting OAS, other partner is 60-64 and getting the Allowance	**$40,800**

How do I get the Guaranteed Income Supplement?

Questions

1. What is the Guaranteed Income Supplement (GIS)?
2. Who qualifies for it?
3. What do you mean by 'low income'?
4. Who qualifies for Old Age Security?
5. I want to apply. How do I get started?

1. What is the Guaranteed Income Supplement?

At age 65, people with little or no income other than OAS pension may get an extra monthly benefit called the **Guaranteed Income Supplement (GIS)**.

2. Who qualifies for the Guaranteed Income Supplement (GIS)?

- You can apply for it when you turn 65.
- You can get it if:
  - your income is low enough **and**
  - you qualify for Old Age Security on the combined OAS/GIS application form.

3. What do you mean by 'low income'?

- Look at the table at the beginning of this booklet.
- When you turn 65 will your income (not counting Old Age Security pension) be under the level shown?

4. Who qualifies for Old Age Security?

- The income limits in the table for GIS apply to seniors who qualify for **full** Old Age Security (OAS). This means that you have lived in Canada at least 40 of the 47 years between your 18th and 65th birthdays.
- You can get partial OAS if you have lived fewer years in Canada. In these cases, the income limits may be higher.
- Low-income people who will get partial OAS **should also apply for GIS!** They may get extra GIS benefits to make up for their partial OAS pension. Some seniors who have insufficient residency in Canada at age 65 may count the years after their 65th birthday towards eligibility for OAS and GIS.

For people 75 and over, Old Age Security is now increased to $800.44 per month as of October, 2024 and will remain 10% higher than basic OAS for this age group.

5. I want to apply. How do I get started?

You only have to apply once for GIS. Make sure you file an annual tax return. This tells the government if you are still eligible. Note that the GIS application form and the GIS update form are now the same form.

Before you start:
View and update your personal information:
http://www.esdc.gc.ca/en/cpp/oas/before_applying.page
Calculate your retirement income:
http://www.esdc.gc.ca/en/cpp/oas/before_applying.page

Apply for Old Age Security:
Download the application form :
http://www.servicecanada.gc.ca/fi-if/index.jsp?app=prfl&frm=isp3000PDF, sc-isp-3000(2017-05-02)e-.pdf, 1612 KB, printed on 6 pages
Download the information sheet:
http://www.servicecanada.gc.ca/fi-if/index.jsp?app=prfl&frm=isp3000
PDF, sc-isp-3000a(2017-05-02)e.pdf, 574 KB, printed on 5 pages

Apply for the Guaranteed Income Supplement:
Download the application form:
http://www.servicecanada.gc.ca/fi-if/index.jsp?app=prfl&frm=isp3025&lang=eng
PDF, sc-isp-3025(2017-03-21)e.pdf, 1560 KB, printed on 3 pages

Download the instruction sheet:
http://www.servicecanada.gc.ca/fi-if/index.jsp?app=prfl&frm=isp3025&lang=eng
PDF, sc-isp-3025a(2016-03-21)e.pdf, 205 KB, printed on 2 pages

Learn more: http://www.esdc.gc.ca/en/cpp/oas/gis/index.page

Does CPP early retirement make sense for me?

Questions

1. What is CPP early retirement?
2. What do you mean by 'low income'?
3. Will you qualify for Old Age Security?
4. Why should a low-income person take CPP early retirement?
5. Does it make sense to do this if I am on social assistance?
6. Why do I get told to wait until age 65?
7. I want to apply. How do I get started?

1. What is CPP early retirement?

- CPP stands for Canada Pension Plan. If you paid into the Canada Pension Plan while you were working, you get a pension.
- Most people start to get their CPP at age 65. You can apply when you are 60. This is called CPP early retirement.
- You will get less money (0.6% less per month) than if you apply at 65. **But if you will have little or no income other than OAS pension after age 65, it is better to take CPP early unless you receive social assistance.**

2. What do you mean by 'low income'?

- We mean low enough to qualify for the Guaranteed Income Supplement (GIS).
- Look at the table at the beginning of this booklet. Will your income (not counting Old Age Security pension) be under the level shown when you turn 65?

3. Will you qualify for Old Age Security (OAS)?

- Low-income people who qualify for OAS can apply for the Guaranteed Income Supplement (GIS) on the same form.
- The income limits in the table apply to seniors who qualify for **full** OAS pension. Full OAS means that you have lived in Canada at least 40 of the 47 years between your 18th and 65th birthdays.
- You can get **partial** OAS if you have lived fewer years in Canada. In these cases, the income limits may be higher.
- Low-income people who will get partial OAS pension should **also** apply for early CPP at age 60 and for GIS at age 65!

4. Why should a low-income person take early CPP Retirement?

- You will start getting some money now.
- You will likely get the Guaranteed Income Supplement (GIS) at age 65. This can be worth a lot for a senior with little or no income other than the OAS pension.
- CPP Retirement benefits reduce your GIS by 50 cents or more on the dollar. Since you took CPP early, you are getting less, so they can't reduce your GIS by as much.
- **You will be better off than if you waited until age 65.**

5. Does it make sense to do this if I am on social assistance?

No, for two reasons.

1. The government will just reduce your social assistance money.
2. You will likely qualify for the Guaranteed Income Supplement when you turn 65 anyway.

6. Why do I get told to wait until 65?

- Because most financial advice is aimed at people with higher incomes.
- People with higher incomes might choose to wait so that their CPP will be higher over the rest of their lifetimes.
- But people with higher incomes will not qualify for GIS.
- People with low incomes are often better off if they take CPP sooner.

"You have to think long-term. You can't afford to be old yet."

Case Study: Not yet retired

Lisa is 59 and on her own. She would like to take CPP early retirement at age 60. But Lisa also wants to keep working past age 60 – maybe even past 65.

Can she do it?

Answer: Yes!

- Since January 1, 2012, you can collect Canada Pension as soon as you turn 60.
- You do not have to stop working.
- THE CHOICE: You can decide to keep paying into CPP (until age 70) while you are working or get a form (CPT 30-20) from CPP to stop paying in as long as you are 65 or over AND you have started your CPP retirement benefit.
- THE GOOD NEWS: Your future benefits will increase because you are still paying in if you make the choice to continue paying.
- **Learn more at:** http://retirehappyblog.ca/four-reasons-why-you-should-still-take-cpp-early-post-2011-rules

Case Study: Disabled

George is 60 and single. He has just moved from Ontario Works onto Ontario Disability Support (ODSP).

Should he take CPP early retirement?

Answer: No!

- The Canada Pension Plan also has disability benefits. George will be eligible for CPP disability, rather than a retirement pension. If ODSP asks George to apply for CPP disability, he must do so.
- George's ODSP benefits will be reduced by the amount of his Canada Pension. So George is no further ahead.
- At age 65, George's CPP disability pension will become a CPP retirement pension. He will be off ODSP, so they can no longer reduce it.

Case Study: Receiving Ontario Works

Lois is 60 and single. She is receiving Ontario Works of $733 a month.

Should she take CPP early retirement?

Answer: There are pros and cons.

- Ontario Works (OW) is reduced dollar for dollar by Canada Pension.
- But Ontario Works is up to $733 a month. Early CPP can be as high as $873.34 a month. Lois needs to find out if it would be worth it for her.
- Lois could lose her Ontario Works drug card if she went on CPP.
- On the other hand, by taking early CPP, Lois makes her CPP payments lower over her lifetime. When she turns 65, she could get more GIS each month.

Lois has some thinking to do:

- Lois needs to find out how much she would get from CPP.
- She should compare this to what she gets from Ontario Works.
- She also needs to factor in the value of her OW drug card.

7. I want to apply. How do I get started?

- View and update your personal information:
http://www.esdc.gc.ca/en/cpp/before_applying.page

- Find out how much you have contributed to CPP:
http://www.esdc.gc.ca/en/cpp/statement_contributions.page

- Calculate your retirement income:
http://www.esdc.gc.ca/en/cpp/cric.page

- Apply for Canada Pension:
http://www.esdc.gc.ca/en/cpp/apply.page

What's the smartest way to save before I turn 65?

Questions

1. What do you mean by 'low income'?
2. Who qualifies for Old Age Security?
3. Is an RRSP a good way for a low-income person to save for retirement?
4. Why would an RRSP hurt me later?
5. What's a better way for a low-income person to save?
6. What does the federal government say about Tax Free Savings Accounts?
7. How do I get started?

1. What do you mean by 'low income'?

- We mean low enough to qualify for the Guaranteed Income Supplement (GIS).
- Look at the table at the beginning of this booklet. Will your income (not counting Old Age Security pension) be under the level shown when you turn 65?

2. Who qualifies for Old Age Security?

- The income limits in the table apply to seniors who qualify for **full** Old Age Security (OAS).
- This means that you have lived in Canada at least 40 of the 47 years between your 18th and 65th birthdays.
- You can get partial OAS if you have lived fewer years in Canada. In these cases, the income limits may be higher.
- Low-income people who will get partial OAS **should also apply for GIS!** They may get extra GIS benefits to make up for their partial OAS.

3. Is an RRSP a good way for low-income adults to save for retirement?

No!

- Registered Retirement Savings Plans (RRSPs) are a way of saving money and getting a tax break at the same time.
- As a low-income person, you pay very little or no tax. So the tax break is of no use to you.
- Plus, the RRSP might hurt you later.

4. Why would an RRSP hurt me later?

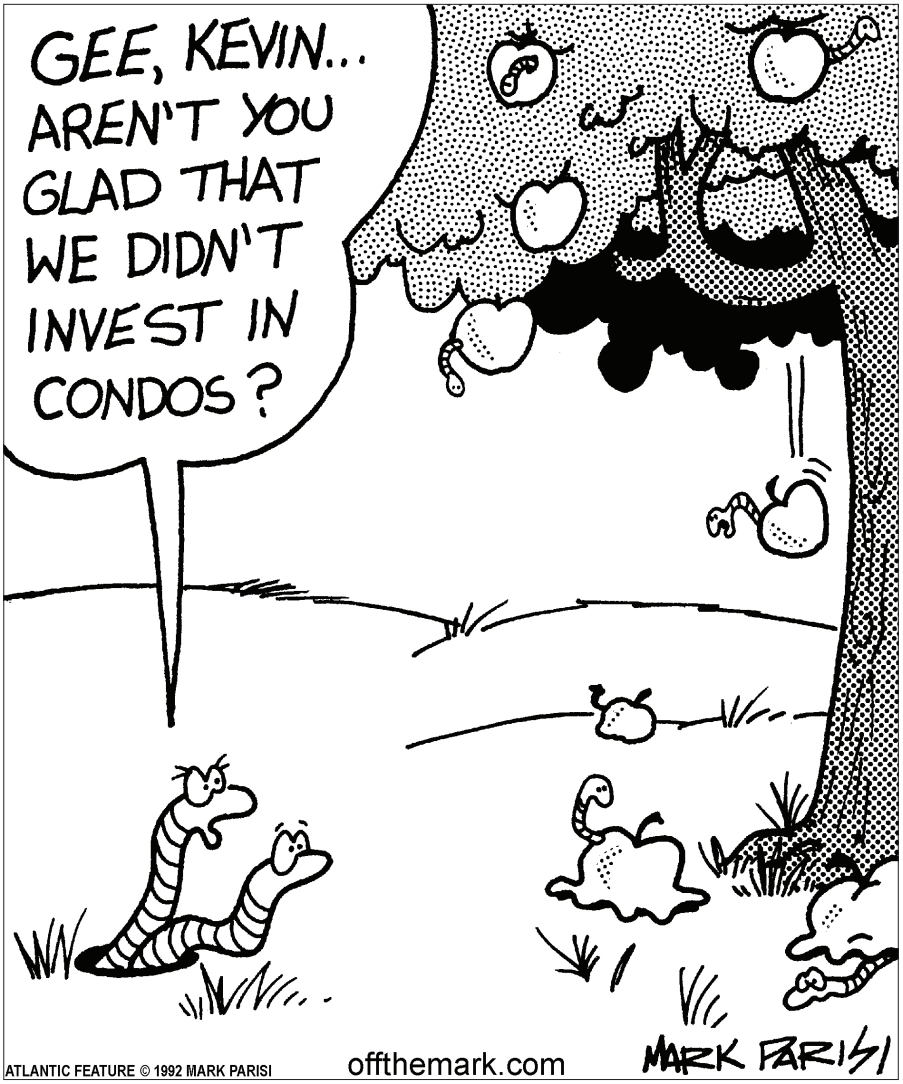
When you retire, you might be better off than you are now.

As a low-income person, you will likely be getting:
– Old Age Security (OAS pension)
– Canada Pension (CPP)
– Guaranteed Income Supplement (GIS)

- The Guaranteed Income Supplement can be worth a lot for a senior with little or no income other than the OAS pension.
- If you have money in RRSPs, you have to start taking it out when you turn 71. For every dollar of RRSP you receive after age 65, your GIS goes down by at least 50 cents and 75% over the income range of $4,600 to $8,400 (of the income that GIS takes into account).

5. Is there a better way to save?

- Think about opening a Tax Free Savings Account (TFSA).
- This is a special account you can ask for at the bank.
- You can save up to $7,000 in it each year.
- Your total possible contribution from 2009 to 2024 is $95,000.
- It will earn interest and grow and you will not be taxed on it.
- The government also does not tax you when you take out the money.
- The government will not take back one penny from your GIS.



6. What does the federal government say?:

No Impact on Income-Tested Benefits

Neither income realized in a TFSA nor withdrawals will affect your eligibility for federal income-tested benefits and credits, such as the Guaranteed Income Supplement and the Canada Child Tax Benefit. **This will improve incentives for people with low and modest incomes to save.**

http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/tfsa-celi/mpct-eng.html

An example

Benefits for Low-and Modest-Income Canadians

Alexandre and Patricia, a modest-income couple, expect to receive the Guaranteed Income Supplement (GIS) in addition to Old Age Security and Canada Pension Plan benefits when they retire.

They have saved for a number of years in their TFSAs and now earn $2,000 a year in income from their TFSA savings. Neither this income, nor any TFSA withdrawals, will affect the GIS benefits (or any other federal income-tested benefits and credits) they expect to receive.

If this $2,000 were earned [outside of a TFSA], it would reduce their GIS benefits by $1,000.

http://www.cra-arc.gc.ca/tfsa/

7. How do I get started?

- If you are low-income, under 65, and have some money to save, choose a Tax Free Savings Account (TFSA), not an RRSP.
- If you are making contributions to an RRSP, stop.
- Go to the bank and open up a Tax Free Savings Account. You can put in up to $7,000 a year.

A smart way to save between ages 65 and 71

Questions

1. Do I qualify for the Guaranteed Income Supplement?
2. What do you mean by 'low income'?
3. Who qualifies for Old Age Security?
4. My income is just above the limit for GIS. Is there anything I can do to qualify?
5. But I heard that you could only buy RRSPs **before** you retire. Is that true?
6. What happens when I turn 71?
7. Can you give me an example of how RRSPs work for a person after 65?

1. Do I qualify for the Guaranteed Income Supplement (GIS)?

- The supplement is extra money to help seniors with very low incomes.
- It can make a big difference for a low-income person.
- You can apply for it when you turn 65.
- You can get it if:
  – your income is low enough; **and**
  – you qualify for Old Age Security.

2. What do you mean by 'low income'?

- Look at the table at the beginning of this booklet.
- Will your income (not counting Old Age Security pension) be under the level shown when you turn 65?

3. Who qualifies for Old Age Security?

- The income limits in the table apply to seniors who qualify for **full** Old Age Security (OAS).
- This means that you have lived in Canada at least 40 of the 47 years between your 18th and 65th birthdays.
- You can get partial OAS if you have lived fewer years in Canada. In these cases, the income limits may be higher.
- Low-income people who will get partial OAS **should also apply for GIS!** They may get extra GIS benefits to make up for their partial OAS.

4. My income is just above the limit for GIS. Is there anything I can do to qualify?

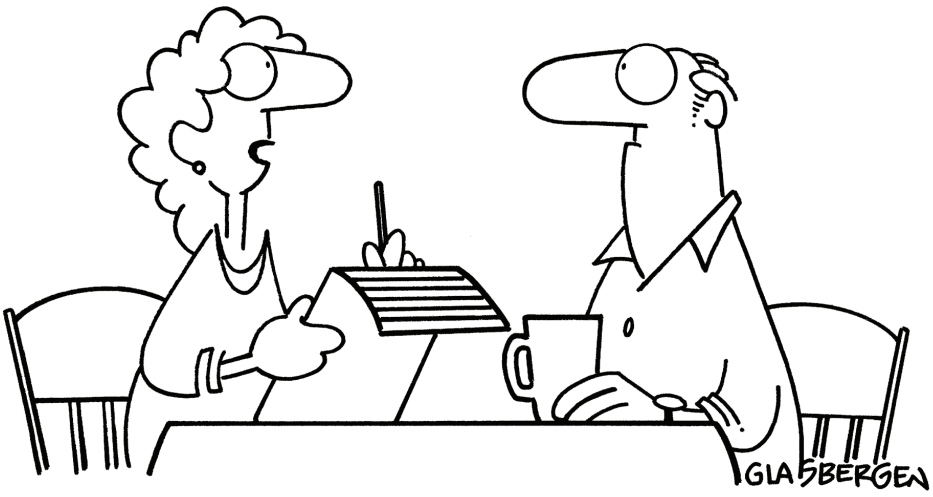
- **Yes.** You can lower your income by saving in a Registered Retirement Savings Plan (RRSP).
- Your Income Tax Notice of Assessment tells you how much you are allowed to put into RRSPs. This is called your 'deduction limit' or 'RRSP room'.
- If you are in the GIS 'zone', making an RRSP contribution can get your income under the limit so that you qualify for GIS.

5. But I heard that you could only buy RRSPs *before* you retire. Is that true?

- **No**. A person who has contribution 'room' can keep putting money into an RRSP until age 71.
- If you have to pay taxes, your RRSP contribution will help you pay less.
- If you qualify for GIS, making an RRSP contribution helps you to maximize your Supplement.

6. What happens when I turn 71?

- The Government turns the RRSP into a Registered Retirement Income Fund (RRIF).
- You must take some money out of the RRIF each year.
- You may have to pay tax on the money you take out. It depends on how high your income is.
- For every dollar of RRIF you take out, your GIS supplement will go down by 50 cents.
- The government sets rules about how much of your RRIF you must take out each year after age 71. This will affect your GIS income.



"We can afford to retire in 20 years, but only if our credit cards retire in 10 years."

7. Can you give me an example of how RRSPs work for a low-income person after 65?

- When Mary turned 65, her yearly income was $18,000. This was made up of CPP and a modest pension. She was also eligible for full OAS pension.
- Mary's income was too high to be eligible for GIS.
- Mary had $60,000 in RRSP 'room'.
- Each year, from age 65 to 71, Mary took out a $10,000 RRSP loan at low interest.
- The RRSP contributions reduced her taxable income to zero.
- Mary became eligible for partial GIS of hundreds of dollars a month.

How it worked for Mary

- To pay back her loans, Mary used the GIS money and part of her RRIF after she turned 71.
- Mary will pay higher taxes after she turns 71, because she will be getting money from her RRIF. But the taxes will be far less than the extra money she got from GIS for 6 years.
- Mary will not qualify for GIS after she turns 71 because her income will be too high and she can no longer make RRSP contributions.
- However, Mary could collect as much as $30,000 in GIS for 6 years, all because she contributed to an RRSP.
- Plus, during those years, Mary saved on taxes.

A checklist on RRSPs for low-income people

- ☑ Are you between the ages of 65 and 70?
- ☑ Are you eligible for Old Age Security?
- ☑ Do you need further deductions from your income to be eligible for GIS, or to maximize GIS?
- ☑ Do you have RRSP 'room' showing on your income tax Notice of Assessment?
- ☑ Do you have money to contribute to your RRSP, or can you get an RRSP loan at your bank?

Maximizing GIS

A background paper on retirement financial planning for Canadians with very low incomes

The purpose of this paper

This background paper is intended for people who give financial advice about retirement to low-income people. These people include:

- Financial planners and advisors
- Staff of banks and other institutions that sell financial products
- Financial writers and broadcasters
- Friends and family of low-income people who provide them with financial advice
- Community agencies that run tax clinics and other financial services for low-income people
- Organizations that design and provide training in financial literacy.

Most financial advice fails to take into account the availability of the Guaranteed Income Supplement for low-income seniors. People eligible for the GIS need very different financial advice from what is normally heard on the radio, on television, or in magazines and newspapers. Some forms of private savings reduce GIS entitlement, while others do not. ***Advising a low-income person to save within an RRSP, for example, can be very bad advice.***

Low-income people need savings and retirement strategies that won't leave them worse off in their senior years. The purpose of this paper is to educate people who help low-income adults plan for their financial future. While the income thresholds for GIS entitlement depend on family circumstances, in general, the considerations set out in this paper are relevant for singles with less than $20,000 (not including OAS) in annual income and couples with less than $40,000 (not including OAS).

Our aim is to put GIS planning at the centre of the pre-retirement discussion for these singles and couples. Far too many low-income people have failed to get good advice about filing their taxes and applying for a program to which they are entitled. ***The effect of this is to take millions of retirement dollars off the table for Canada's most vulnerable seniors.***

This paper provides background detail for the slide presentations and booklet that we have developed for advisors and counsellors. These materials can be

used in their own training and as an aid when advising low-income people. The topics covered are:

- I have a low income...
  Does CPP early retirement make sense for me?
- I have a low income...
  What's the smartest way to save before I turn 65?
- Retiring at 65 on a low income...
  How do I get the Guaranteed Income Supplement?
- Retiring at 65 on a low income...
  What's a smart way to save before I turn 71?

We have also developed a tool for determining Old Age Security for people who come to Canada. The rules around OAS and GIS eligibility are complex for people who have immigrated to Canada as adults or who have returned to Canada later in life. It is our hope that these tools will aid advisors helping low income people in this situation to take advantage of partial OAS combined with GIS.

The materials were field-tested with community advisors from tax clinics at WoodGreen Community Services and West Neighbourhood House in Toronto. Some were used in a workplace financial literacy program in Richmond, B.C.

Summary of GIS eligibility criteria and advice for low-income people

If you will be eligible for full OAS and you expect your other income will be close to or below one of these amounts:		Then this is what you should do to qualify for and maximize your Guaranteed Income Supplement (GIS):	
FAMILY STATUS	**INCOME LIMIT (at Oct. 2024)[1]**	**BEFORE AGE 65**	**AT AGE 65, IF YOU ARE SOMEWHAT ABOVE THE INCOME LIMIT:**
Single	$22,056	• Apply for CPP early retirement as early as age 60. • Place any savings in a TFSA. • Don't place savings in an RRSP. • Consider converting RRSPs to a TFSA.	• If you have RRSP 'room', place any savings in RRSPs until age 71. • Consider borrowing to buy RRSPs until age 71. • Convert TFSAs to an RRSP to lower your income.
Couple, both getting Old Age Security (OAS)	$29,136		
Couple, only one partner getting OAS, other partner under 60	$52,848		
Couple, one partner getting OAS, other partner is 60-64	$40,800		

1. These figures change from time to time. Updated figures are available from http://www.esdc.gc.ca/en/cpp/oas/payments.page

Introduction

People who are eligible for full Old Age Security[2] at age 65[3] and who have income (from sources other than OAS) below the limits shown here are eligible to apply[4] for the federal Guaranteed Income Supplement.

Incomes above which seniors are ineligible for the Guaranteed Income Supplement[4]	
FAMILY STATUS	**INCOME LIMIT (as of October 2024)**
Single	$22,056
Couple, both getting Old Age Security (OAS)	$29,136
Couple, only one partner getting OAS, other partner under 60	$52,848
Couple, one partner getting OAS, other partner is 60-64	$40,800

These four income limits (which rise from time to time) are extremely important numbers for low-income people to think about during the five years leading up to their 65th birthday and beyond. They affect such things as:

- Deciding whether to take early retirement at age 60 under the Canada Pension Plan or any other retirement plan;
- Deciding when to take out a Registered Retirement Savings Plan (RRSP) and when not to;
- Deciding whether or not to put money into a Tax Free Savings Account (TFSA);
- Deciding what to do with existing RRSPs, TFSAs, and retirement income plans.

All of these decisions have a big impact on a low-income person's eligibility to collect the Guaranteed Income Supplement (GIS).

2. People who are eligible for only partial OAS are subject to higher income limits.

3. Old Age Security eligibility will continue to start at age 65.

4. The federal government announced in the 2012 budget that it will put in place a proactive enrolment regime, eliminating the need for many seniors to apply for the OAS pension and GIS.

5. Updated figures are available at this web address:http://www.esdc.gc.ca/en/cpp/oas/payments.page

Questions and answers about the GIS

1. What is the Guaranteed Income Supplement (GIS)?

According to Service Canada, "The Guaranteed Income Supplement provides additional money, on top of the Old Age Security pension, to low-income seniors living in Canada. To be eligible for the GIS benefit, you must be receiving the Old Age Security pension. It is paid monthly."[6]

People who have lived in Canada for at least ten of the 47 years between their 18th and 65th birthdays are eligible for Old Age Security (OAS). Some seniors who have insufficient residency in Canada at age 65 may count the years after their 65th birthday towards eligibility for OAS and GIS.

2. How much is GIS worth to a senior?

The highest full monthly amount of GIS, combined with OAS, is currently about $1,791.26 per person. Other tax credits and benefits can add more than $171 a month to this amount.

These amounts are paid to people who have no other outside income except for their basic OAS payment. This is an entitlement program for seniors who are very close to poverty levels.

3. What makes the GIS different from OAS?

The big difference is the income tests that apply to each of them. For seniors receiving the full amount of OAS, there is no reduction in OAS benefits until net income reaches $81,761 (in 2023).

The GIS reduction, by contrast, is 50 cents on the dollar and it starts from the first dollar of countable income, which includes CPP income, other monthly income like a pension, or an RRSP cash-out. For most people, the reduction starts very quickly. For example, no GIS is available to a single senior after $19,656 in yearly income (not counting OAS).

The need for careful planning

People who have incomes low enough to qualify for GIS need to make careful plans to ensure that their income sources do not reduce their GIS entitlement or disqualify them altogether.

The careful planning we discuss here is to ensure that low-income seniors **maximize** their GIS. Most of the financial advice that is currently provided to low income seniors tends to lower GIS entitlement.

This paper discusses four retirement planning issues for low income Canadians:

1. Taking CPP early retirement benefits
2. Contributing to an RRSP or saving in a TFSA before age 65
3. Contributing to an RRSP or saving in a TFSA after age 65
4. Newcomer access to OAS and what it means for their GIS.

6. http://www.esdc.gc.ca/en/cpp/payment_dates.page

Topic 1. Taking CPP early retirement benefits

People who have paid into the Canada Pension Plan can take their pension, with reduced benefits, as early as age 60.[7] For a low-income person who may qualify for the GIS, this is often the right choice.[8]

Why? Because of the high GIS reduction. However, if a low-income senior is collecting a lower amount of CPP at age 65, there will be less GIS reduction. And in the meantime, they will have started collecting pension earlier and benefiting from the extra income.

Advising a low-income person on CPP early retirement

To plan a strategy for maximizing GIS entitlement, a low-income person must realistically assess how much money they will likely receive from CPP and other sources when they turn 65. Note that in determining income for GIS purposes, Old Age Security income is not counted.

When advising a low-income person on a decision to take CPP early retirement, it is important to ask if they intend to continue working after taking early CPP. If so, they should be aware that they will have to continue making CPP contributions until age 65.[9]

For people who are receiving social assistance, taking early CPP is not an attractive option, because the social benefits will simply be reduced dollar for dollar by the amount of CPP. At age 65, social assistance converts to CPP, OAS, and GIS, and the reductions are no longer an issue.

7. http://www.esdc.gc.ca/en/cpp/payment_dates.page

8. This advice for low-income people was recently confirmed in a report from the C.D. Howe Institute. See: http://www.cdhowe.org/comparing-nest-eggs-how-cpp-reform-affects-retirement-choices/17887

9. https://www.thestar.com/business/personal_finance/retirement/2010/05/02/roseman_taking_cpp_early_will_be_less_attractive_under_new_rules.html
See also Service Canada, *Learn more about your public pension benefits.* Annual newsletter for beneficiaries residing in Ontario, February, 2011. Making CPP contributions becomes optional between ages 65 and 70.

Topic 2. Contributing to an RRSP or saving in a TFSA before age 65

Registered Retirement Savings Plans (RRSPs)

For a low-income person who expects to qualify for GIS when they turn 65, saving money inside an RRSP is **not** a good option. The tax advantages that are so attractive to higher-income earners have no value for a person with little or no taxable income.

RRSPs are a way of postponing taxes to a person's retirement years. For people who have higher earnings during their working lives, it makes sense to postpone taxes to the years after retirement, when income will be lower.

The opposite is true for people who have incomes low enough to qualify for GIS. Canada's low-income seniors are, on the whole, better off than working-age low-income people. After they turn 65, their incomes will go **up**, through a combination of receiving:

- Old Age Security (OAS)
- Canada Pension (CPP), and
- Guaranteed Income Supplement (GIS)

Old Age Security and Canada Pension are fully taxable. Withdrawals from an RRSP are also taxable. The year someone turns 71, he or she must transfer RRSP savings into another type of account or financial contract that provides annual income starting the following year, usually a Registered Retirement Income Fund (RRIF).

This means that after retirement, low-income seniors may find that their incomes have risen to the point where they are exposed to taxation for the first time. Moreover, seniors receiving the GIS face a 50% reduction on additional income, such as income from RRSP redemption.

For these reasons, people approaching retirement on a low income need careful planning and good advice to avoid exposing their retirement incomes to taxation and GIS reductions. Unfortunately, they're not getting them. Instead, they receive pervasive, mainstream advice about making contributions during RRSP season.

They are even encouraged to take out RRSP loans. Low-income people usually have a very hard time obtaining retail credit. But during RRSP season, loans are easy to get, because the RRSP remains with the lending institution. For a low-income person, this is like getting a car loan and leaving the vehicle on the lot.

Tax-free Savings Accounts (TFSAs)

For a low-income person who expects to qualify for GIS when they turn 65, saving money inside a TFSA is a much better option. Unlike RRSP redemptions, there is no tax on withdrawing money from a TFSA. Nor is there any tax on interest earned within the TFSA.

Even more important, there is no reduction of the GIS. This is what the federal government says about TFSAs and the GIS:[10]

> ***No Impact on Income-Tested Benefits***
>
> *Neither income earned in a TFSA nor withdrawals will affect your eligibility for federal income-tested benefits and credits, such as the Guaranteed Income Supplement and the Canada Child Tax Benefit. This will improve incentives for people with low and modest incomes to save.*

The federal government's website gives this case study as an example:

> ***Benefits for Low-and Modest-Income Canadians***
>
> *Alexandre and Patricia, a modest-income couple, expect to receive the Guaranteed Income Supplement (GIS) in addition to Old Age Security and Canada Pension Plan benefits when they retire. They have saved for a number of years in their TFSAs and now earn $2,000 a year in interest income from their TFSA savings. Neither this income, nor any TFSA withdrawals, will affect the GIS benefits (or any other federal income-tested benefits and credits) they expect to receive. If this $2,000 were earned on an unregistered basis, it would reduce their GIS benefits by $1,000 or more.*

Giving advice about RRSPs and TFSAs before age 65

When advising a low-income person about saving for retirement, recommend saving within a TFSA rather than in an RRSP. If the person is already contributing to an RRSP, suggest that they redirect these contributions to a TFSA. They may also wish to consider 'melting down' their existing RRSP. This simply means withdrawing the money over a period of years in a way that is planned and structured to minimize tax now and maximize their entitlement to GIS in the future.

10. http://www.cra-arc.gc.ca/tfsa/

Topic 3. Contributing to an RRSP after age 65

As we have seen, contributing to an RRSP before the age of 65 has no real benefit for very low-income people. But for people whose incomes are a little over the GIS eligibility limit, or who are eligible for only a partial supplement, contributing to an RRSP *after age 65* might make a lot of sense.

Here's why:

Old Age Security and the GIS begin at age 65. But people can keep contributing to RRSPs until they turn 71. Contributing to an RRSP effectively lowers a person's income for purposes of GIS eligibility.

If a 65-year old with a very modest income happens to have some RRSP 'room' (shown on page two of the Notice of Assessment they receive after filing their tax return), they can contribute enough money to an RRSP to allow them access, or more access, to GIS.

For some seniors, this strategy might justify borrowing modestly to take out an RRSP. The increased income from the GIS would enable them to repay the debt.

This strategy is only effective until a senior turns 71, the last year to contribute to an RRSP. At that point, RRSPs must be transferred to a type of account or financial contract that will provide annual income starting the following year. In the best-case scenario, this income would offset the loss of GIS income.

An example: Mary

When Mary turned 65, she had a yearly income (excluding OAS) of $18,250. This was made up of CPP and a modest pension. She was also eligible for full OAS.

Mary's income was too high to be eligible for GIS. But Mary still had $60,000 in RRSP 'room'. That was because she couldn't afford to put money into an RRSP when she was working.

Each year, from age 65 to 71, Mary took out a $10,000 RRSP loan at low interest. The RRSP contribution reduced her taxable income to zero. It also made her eligible for the GIS.

Mary got partial GIS of hundreds of dollars.[11] To pay back her loans, she used this money, plus other savings and part of her RRIF money after she turned 71.

11. http://www.esdc.gc.ca/en/cpp/oas/payments/tab1_1.page

Mary knows that she will pay higher taxes on her income after she turns 71, because she will be getting money from her RRIF. But the taxes will be far less than the extra funds she has been able to access for the last 6 years.

Mary also knows that she will not qualify for the GIS after she turns 71. This is because her income will be too high and she can no longer make RRSP contributions.

However, Mary could collect up to $30,000 in GIS income for six years. This is money she would never have received if she had not taken out the RRSP. And during those years, Mary saved on taxes.

A checklist for advising on RRSPs at age 65

Taking out an RRSP is a strategy that benefits only a limited group of low-income seniors. Use this checklist to decide if an RRSP might be good advice for your client:

- ☑ Are your clients between the ages of 65 and 70?[12]
- ☑ Are they eligible for Old Age Security? (Eligibility for GIS hinges on eligibility for OAS. If they are not eligible, please see Topic 4: GIS for newcomers.)
- ☑ Do they need further deductions from their income to be eligible for GIS, or to maximize GIS? (Do not count current income from OAS or GIS.)
- ☑ Do they have RRSP 'room' showing on their income tax statement?
- ☑ Do they have access to money to contribute to the RRSP, or can they access an RRSP loan through their bank?

12. Technically, a person could begin this strategy at age 64, so that income reported during the year they turn 65 is already lowered. Advisors must be careful not to counsel this strategy too soon, however, for people receiving social assistance or provincial disability benefits. The RRSP might be viewed as a disqualifying asset.

Topic 4. GIS for newcomers

Eligibility for the Guaranteed Income Supplement hinges on eligibility for Old Age Security. A person receives **full** OAS if they have lived in Canada at least 40 of the 47 years between their 18th and 65th birthdays.

For people who do not meet this criterion, the rules are more complicated. Under these rules, however, many low income people could qualify for a combination of partial OAS plus GIS — the equivalent of receiving full OAS.[13]

Newcomers can get **partial** OAS if they have lived at least 10 years in Canada. If their income is low, this means that they may also be eligible for **full** GIS. Moreover, low-income newcomers with only partial OAS can get a higher GIS amount through a special, extra GIS increment.[14] This means that, for this group, income limits for GIS eligibility are sometimes higher than the limits shown in the table on page 37 & 38.

Fifty-nine countries have reciprocal social security agreements with Canada.[15] These agreements allow partial OAS eligibility after one year of residence. The amount of combined OAS and GIS increases gradually over the next 10 years of residence.

Other factors that have an impact on GIS for newcomers include money received from a state pension plan in the country of their birth or another country where they worked before coming to Canada.

Would the strategies in this paper work for someone with less than 10 years of residence?

For low-income people who have lived less than 10 years in Canada and who qualify for partial Old Age Security under a reciprocal agreement, GIS entitlements grow gradually, at the rate of one tenth (10%) of the benefit for each year of residence.[16] The tables explain how GIS payments grow over a ten-year period and give a breakdown of the OAS and GIS components after ten years.

Since the GIS entitlements are initially very small, the amount of income it would take to reduce the GIS to zero is also very low. To qualify for GIS, the senior would have to have very little or no outside income. This would mean that the RRSP strategy after age 65, for example, may not be worth using.

However, the strategies around early retirement and saving within a TFSA are very relevant to this group. Any person who anticipates a very low income after retirement should do everything they can to maximize their GIS entitlement.

13. For an overview of the rules, see http://retirehappy.ca/receiving-partial-oas-pension-affects-gis-amounts/

14. See http://www.esdc.gc.ca/en/cpp/oas/benefit_amount.page

15. More than 150 countries do not. The list of countries that have reciprocal agreements is available at: http://www.servicecanada.gc.ca/fi-if/index.jsp?app=lst&grp=ibc&lang=eng

16. This includes immigrants whose sponsorship agreement has broken down because the sponsor dies, is imprisoned for more than six months, is convicted of abusing the sponsored person, or is in personal bankruptcy.

Afterword: Why does most financial advice ignore GIS planning?

There are a number of reasons why low-income people don't get the advice they need to plan their retirement. First, most financial advice is directed at people who have average or higher incomes. These people expect their incomes to drop after retirement. People who are on social assistance, however, can expect a modest gain in their standard of living after age 65. This is because provincial disability and social assistance programs for working-age adults tend to provide lower incomes than Canada's social security entitlement programs for senior citizens.

The financial planning required for someone whose income rises at age 65 is very different from the planning needed for a person whose income goes down. For example, in their pre-senior years, low income people often have income sources like social assistance or disability payments, which are not taxable. When they become senior citizens, they receive new benefits like OAS and CPP, both of which **are** taxable. Middle and high-income people tend to pay less in tax once they reach 65. The opposite is true for many low-income people turning 65.

Most financial advisors are unfamiliar with the workings of income security programs that benefit lower-income Canadians, perhaps because they don't deal with them as often. The Guaranteed Income Supplement is an entitlement program, as opposed to a tax credit program. It is not directly linked to the sale of a financial product, as is the RRSP. Hence, financial institutions have less incentive to train their staff to give sound retirement advice to low-income people. Moreover, many advisors believe they should not be counselling people to arrange their affairs in such a way as to take advantage of entitlements.

The TFSA: Finally an incentive for the poor to save

With the introduction of the Tax Free Savings Account (TFSA), the poor finally have a good way to save and a reason to purchase financial products. Social assistance programs emphasize means testing and asset stripping, not saving. But the TFSA has been explicitly structured to "improve incentives for people with low and modest incomes to save" without penalties.[17]

Education for those who advise low-income people on taxes and retirement planning has lagged behind this development. It is our hope that this paper will lead to more discussion and a better understanding of what low-income Canadians need to know in order to become more financially literate and more financially secure.

17.http://www.cra-arc.gc.ca/tfsa/

Determining OAS and GIS eligibility for people who come to Canada as adults

Service Canada Toll free Numbers for individual Social Security Agreement situations

Canada and the United States Toll-free: 1-800-454-8731

Canada and the United States TTY: 1-800-255-4786

Outside Canada and the United States: 1-613-957-1954 (Call collect)

The hours of operation are 8:30 a.m. to 4:30 p.m. EST, Monday to Friday.

Are you eligible to apply for Old Age Security and the Guaranteed Income Supplement?

When you turn 65, will you have lived in Canada for at least **40 years** since your 18th birthday?

- YES → **You can apply for a full OAS pension and for GIS.**
- NO ↓

Have you lived in Canada for at least 10 years since your 18th birthday?

- YES → **You can receive a partial OAS pension plus GIS**. Contact Service Canada to apply.
- NO ↓

Have you lived in a country that has a **social security agreement** with Canada? (See list of countries in Part A.)

- YES → Did a relative sponsor you to come to Canada?
- NO ↓ You can apply **after** you have been in Canada for 10 years.

Did a relative sponsor you to come to Canada?

- YES → Has your sponsorship broken down?
- NO ↓ Have you lived in Canada for at least 1 year?

Has your sponsorship broken down?

This means that the sponsor:

- died or
- went to prison for more than six months, or
- was convicted of abusing you, or
- went into personal bankruptcy.

- YES → You can apply for partial benefits before your sponsorship period ends. Contact Service Canada.

  Look at **TABLES 1 and 2** to see how OAS and GIS will be calculated.
- NO ↓ You can apply **after** you have been in Canada for 20 years.

Have you lived in Canada for at least 1 year?

- YES → You can apply for partial benefits. Look at **TABLES 1 and 2** to see how OAS and GIS will be calculated.
- NO ↓ You can apply for partial benefits **after you have been in Canada for 1 year**. Look at **TABLES 1 and 2** to see how OAS and GIS will be calculated.

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Determining OAS and GIS eligibility for people who come to Canada as adults

Are you close to age 65, or in your senior years?

Are you on a low income?

Use this tool to find out if you will be eligible to apply for Old Age Security pension and the Guaranteed Income Supplement when you turn 65.

OAS eligibility

Old Age Security (OAS) begins at age 65. The rules are based on the number of years you have lived in Canada as a citizen or legal resident.

People who have lived in Canada for most of their adult lives can apply for **full** Old Age Security pension.

People who have not been here long enough to apply for a full OAS pension are still eligible for a partial OAS pension. If they will have low incomes when they retire, **they should apply for OAS as soon as they are eligible**. Look at **TABLES 1 & 2** on pages 37 & 38 to see how OAS pension and GIS will be calculated.

GIS eligibility

If you are eligible for OAS pension and you have a low income, you can also apply for the Guaranteed Income Supplement (GIS). **You should apply as soon as you are eligible.** This will maximize the amount of GIS you get. You can collect GIS as long as you do not leave the country for more than six months.

Proactive enrolment

The federal government announced in the 2012 Budget that it was implementing 'proactive enrolment'. This eliminates the need for many seniors to apply for the OAS pension and GIS. It will happen automatically when they file their taxes. Proactive enrolment was implemented in November 2017 and is being rolled out widely afterwards.

Source documents for this tool:

http://www.servicecanada.gc.ca/eng/isp/pub/oas/lis/lisbenefits.pdf

http://laws-lois.justice.gc.ca/PDF/O-9.pdf, pages 16 - 19

http://laws-lois.justice.gc.ca/PDF/C.R.C._c._1246.pdf, pages 10 – 17 and 28 - 33

Part A

A.1 When you turn 65, will you have lived in Canada for at least 40 years since your 18th birthday?

☐ **Yes.** You can apply for full OAS pension and GIS.

☐ **No.** Go to **A.2**

A.2 Have you lived in Canada for at least 10 years since your 18th birthday?

☐ **Yes.** You can apply for a partial OAS pension.

☐ **No.** Go to **A.3**

A.3 Look at the list of countries that have a social security agreement with Canada. The country you lived in may also contribute to your pension. Have you lived in one of these countries?

☐ **Yes.** Go to **Part B**

☐ **No.** You can apply **after** you have been in Canada for 10 years.

Countries that have social security agreements with Canada

Antigua and Barbuda
Australia
Austria
Barbados
Belgium
Brazil
Bulgaria
Chile
*China
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Estonia
Finland
France
Germany
Greece
Grenada
Hungary
Iceland
*India
Ireland
Israel
Italy
Jamaica
Japan
Jersey and Guernsey
South Korea
Latvia
Lithuania
Luxembourg
Macedonia
Malta
Mexico
Morocco
Netherlands
New Zealand
Norway
Peru
Philippines
Poland
Portugal
Romania
Saint Lucia
Saint Vincent and the Grenadines
Slovakia
Slovenia
Spain
Saint Kitts and Nevis
Serbia
Sweden
Switzerland
Trinidad and Tobago
Turkey
United Kingdom
United States
Uruguay

*very limited agreement

Part B

B.1 Did a relative sponsor you to come to Canada?

☐ **Yes.** Go to **B.2**

☐ **No.** Go to **Part C.**

B.2 Have you lived in Canada for 10 years since your 18th birthday?

☐ **Yes.** You can apply for partial OAS pension and GIS.

☐ **No.** Go to **B.3.**

B.3 Has your sponsorship broken down? 'Broken down' means that the sponsor:

- **died or**
- **went to prison for more than six months or**
- **was convicted of abusing you or**
- **went into personal bankruptcy.**

☐ **Yes.** Contact Service Canada. You can apply for partial OAS pension after you have lived here for one year. You can apply for GIS before your sponsorship period ends. Look at **TABLES 1 and 2** on pages 37 & 38 to see how OAS and GIS will be calculated.

☐ **No.** You can apply for **partial OAS** after you have lived here one year. You can apply for GIS at the end of your sponsorship period.

Part C

C.1 Have you lived in Canada for at least 1 year since your 18th birthday?

☐ **Yes.** You can apply for partial benefits. Look at **TABLES 1 and 2** on pages 37 & 38 to see how OAS pension and GIS will be calculated.

☐ **No.** You can apply for partial benefits as soon as you have lived here for one year. Look at **TABLES 1 and 2** on pages 37 & 38 to see how OAS pension and GIS will be calculated.

Table 1

OAS and GIS payment structures for people who come to Canada

These tables show the OSA and GIS payment structure for single people who, at age 65:

- have been in Canada for less than 10 years
- have met the one-year residency requirement
- are not sponsored **and**
- come from a country that has a social security agreement with Canada.

The numbers show what would happen for seniors who have **no other income**. The numbers would vary for seniors with small incomes from other sources.

Note: These numbers are adjusted more than once a year. To get updated figures, visit http://openpolicyontario.com.

OAS and GIS payment structure for low-income single people who are eligible to apply after one year of residency

This table shows the amounts of OAS and GIS seniors receive during the first 10 years after they qualify to apply. They get more money each year until they reach the tenth year.

Age at arrival in Canada (with no prior residency)	Portion of OAS paid at 65	Portion of GIS paid at 65	Monthly OAS/GIS combined (figures as of Jan 2020)[18]
64	$15.35	$91.73	**$166.95**
63	$30.70	$183.46	**$330.84**
62	$46.05	$275.19	**$491.64**
61	$61.40	$366.92	**$649.39**
60	$76.75	$498.65	**$804.06**
59	$92.10	$550.38	**$955.67**
58	$107.45	$642.11	**$1,104.20**
57	$122.80	$733.84	**$1,249.57**
56	$138.15	$825.57	**$1,392.15**
55	$153.50	$917.73	**$1,531.43**

*** The numbers and calculations here are approximations.**

Table 2

Calculating the amounts in Table 1

This table shows the calculation of OAS and GIS for a senior newcomer with no income, corresponding to the amounts in Table 1. The mix of OAS and GIS is determined by the number of years of residency the person had at the time they turned 65.

The ratio of OAS to GIS is of interest because OAS is taxable and GIS is not. In addition, OAS can be received regardless of sponsorship agreements that prohibit receipt of GIS.

It is also worth noting that a senior with some other income and a high ratio of GIS to OAS is tax advantaged over a senior with a low ratio of GIS to OAS.

Years of residency on turning 65	OAS Based on 1/40 of full OAS for each year in Canada	Regular GIS	Extra GIS payment	*Total (OAS + GIS Maximum)
1	$15.35	10% of $919.12	$59.87	**$166.95**
2	$30.70	20% of $919.12	$116.68	**$330.84**
3	$46.05	30% of $919.12	$170.40	**$491.64**
4	$61.40	40% of $919.12	$221.07	**$649.39**
5	$76.75	50% of $919.12	$268.66	**$804.06**
6	$92.10	60% of $919.12	$313.19	**$955.67**
7	$107.45	70% of $919.12	$354.64	**$1,104.20**
8	$122.80	80% of $919.12	$392.93	**$1,249.57**
9	$138.15	90% of $919.12	$428.43	**$1,392.15**
10	$153.50	100% of $919.12	$460.20	**$1,531.43**

*** The numbers and calculations in column 5 are approximations as of Jan. 2020.**

Update: Retiring on a Low Income: Changes as of October 2024			
Reference	**Topic**	**When first published - 2012**	**After (Current) Oct. 2024 onward OAS 75+ ($72.27)**
Low Income Retirement Planning: Maximizing GIS:	**Yearly Definition of Low Income**	**$16,512 $21,840 $39,600 $30,576**	**$22,056 $29,136 $52,848 $40,800**
All Documents	**Monthly Maximum OAS/GIS (throughout)**	**$1,283.94 OAS:$544.98 GIS: $738.96**	**$1,791.26 OAS: $727.67 75+: $800.44 GIS: $1,086.88**
All Documents	**OAS Clawback Threshold-Annual**	**$67,688**	**$90,997 in 2024 tax year**
Low Income Retirement Planning Maximizing GIS	**Yearly TFSA maximum contribution**	**$5,000**	**$7,000 Max. Total contribution: $95,000 (2024)**
Low Income Retirement Planning Maximizing GIS	**Ontario Works/ODSP Monthly Maximums**	**Singles OW: $599. ODSP: $1,075.**	**Singles OW: $733 ODSP: $1,367 (ODSP to be indexed)**
Low Income Retirement Planning Maximizing GIS	**Example of Contributing to an RRSP after age 65: Amounts of GIS recouped**	**GIS monthly: $346.76 GIS total Savings $24,967**	**Slightly higher Generic example is now being used**
Low Income Retirement Planning	**Maximum Early CPP**	**$690.67 a month (amount noted corrected)**	**$873.34 in 2024 (reduces by 0.6% per month)[1]**
Maximizing GIS Determining OAS and GIS eligibility for people who come to Canada as adults Tables will be changed once per year as quarterly rises are insignificant and the tables remain reasonably accurate guides of amounts.	**Tables 1 and 2: OAS and GIS payment structure for low income single people who are eligible to apply after one year of residency. Calculation Table**	**Amounts range from $140.66 for 1/40th OAS and 10% of GIS and GIS special payments and $1,283.94 for 10/40th of OAS and 100% of GIS and GIS special payments**	**Amounts range from about $180.00 for 1/40th OAS and 10% of GIS and GIS special payments and $1,800 for 10/40th of OAS and 100% of GIS and GIS special payments**

[1]. Early CPP at age 60 reduces by 0.6% reduction each month from the amount of $1,364.60 maximum receivable at age 65. A GIS recipient opting for early CPP at age 60 would have to live past the age of 88 to receive greater net benefits by taking CPP at age 65. Source: Richard Shillington.

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