

## **Calculating Guaranteed Income Supplement or Spousal Allowance Entitlement Immediately after Retirement**

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The *Old Age Security Act* sets out the entitlements to the Guaranteed Income Supplement (GIS) for low-income seniors aged 65 and older and the Spousal Allowance for low-income spouses between the age of 60 and 65. Where a person has a spouse, both the GIS and the spousal allowance are based on the combined income of the senior and their spouse.

In order to receive the GIS benefits, seniors must specifically apply for these benefits. The application form (SC-ISP-3025) requires income information from the previous year for both the senior and the spouse. Spouses between the ages of 60 and 65 who wish to apply for the Spousal Allowance must specifically apply for this benefit (SC-ISP-3008).

These benefits are normally based on a person's and spouse's combined income for the previous year. However, this can be problematic in some instances. For example, what happens to seniors in the year after retirement? A senior can be earning an income of \$50,000.00 per year prior to retirement, but have no private pension income whatsoever subsequent to retirement. The *Old Age Security Act* contains provisions that enable individuals to request that their GIS be paid at a rate based on the actual income that they will receive either subsequent to retirement or subsequent to experiencing a loss of pension income. The *Old Age Security Act* provides that this mechanism is available to a person who "ceases to hold an office or employment or ceases to carry on a business" and a person who "suffers a loss of income due to termination of or reduction in pension income."<sup>1</sup>

Seniors or spouses of seniors in this situation should contact the Service Canada offices at 1-800-277-9914 and request a form called "Statement of Estimated Income after Retirement or Reduction in Pension Income." This form is not available online, and is only sent on request by the pensioner. The form requires detailed information about all sources of income, including information about start dates and termination dates of various types of income, such as employment insurance benefits, severance pay and salary bonuses. Once this form is completed and sent to the Service Canada offices, the amount of the GIS benefit may be increased to reflect the individual's estimated income for the coming year.

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<sup>1</sup> *Old Age Security Act*, RSC, 1985, c O-9, s 14.



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If it is later determined that the person's actual income was different than the person's estimated income, a retroactive adjustment to the individual's GIS entitlement would be made to reflect any overpayment or underpayment.

Individuals who receive GIS or Spousal Allowance benefits must file a tax return each year in order to continue receiving their benefits. If they do not file a tax return or send in an application for GIS or provide information about their annual income for the Spousal Allowance, their GIS or Spousal Allowance benefits will stop in July of that year until the required steps are taken to renew the benefits.