Retirees: Do You Make Too Much Money to Receive OAS Payments?

**Description**

Some Canadians think they won't receive the Old Age Security (OAS) payments at all, while others assume it won't last many more years. In real practice, you can generate $7,362.36 yearly or more if you defer receiving the OAS until age 70. But it could also be as little as $0.



If you have so much wealth from investing or other sources and have an annual income of over $128,317, don't expect to receive OAS. However, you should be receiving $613.53 in OAS monthly payments (regardless of marital status) if your net income doesn't go over $70,954. Otherwise, you trigger the OAS clawback.

## Fill the retirement income gap

In 2020, the total government benefits, OAS plus the Canada Pension Plan (CPP), for retirees come out to $1,286.40 monthly, or $15,436.80 annually, on the average. The amount might not be enough to live a comfortable retirement lifestyle.

By investing in a pair of high-yield energy stocks, you can fill the large retirement income gap with a significant financial buffer in your later years.

**Vermilion Energy** (TSX:VET)(NYSE:VET) has been an attraction to income investors for its 13.95% dividend. Performance-wise, the stock lost 26.74% in 2019. So far this year, VET is down 10.88%. Analysts are quick to warn about a dividend trap due to the sharp drop in crude prices.

Management, however, is confident that dividends are sustainable. In 2020, Vermilion expects WTI price to settle at an average of US$60.44 per barrel. Should it rise to $70, the company intends to reduce debt and improve the balance sheet. In case WTI moves higher to $80, raising dividends is a consideration.

Vermilion generates surplus cash flow from its business outside North America, where 53% are liquids. Also, the company expects to increase production in the future. Analysts' forecasts betray the pessimism on the stock. They see VET rebounding and the price climbing by nearly 85% to $35 in the next 12 months.

**TORC** (TSX:TOG) Torc is a cheaper option than Vermilion. The shares of this $870.74 million oil and gas explorer and producer are trading at a low price of $3.94, yet pay a mouth-watering 7.28% dividend.

The industry headwinds in 2019 took its toll, but TORC lost by only 2.52%. Year to date, the stock is down by 12.25%, which presents a buying opportunity. There are several positives for this intermediate, oil-focused company.

A competent and conservative management team runs TORC. The balance sheet remains decent, debt outstanding is very low, and the growth profile is good once the industry stabilizes. Crude is TORC’s money maker, although its unpredictability is the perennial threat to the business.

In case you’re unaware, TORC is the second-biggest equity holding of the Canada Pension Plan Investment Board (CPPIB), or the entity that manages and invests the CPP fund. In the next 12 months, analysts see TORC gaining by 90.4%.

## Potential investment income



Vermilion and TORC are average 10.62% dividend. Owning $72,750 worth of shares of each could produce $15,452.10 in annual income. The dividend earnings match the total OAS and CPP payments you expect to receive in a year.

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