



3 Dividend Stocks Ready to Roar in 2020

Description

Dividend stocks can be the best of all worlds. They can provide you with a regular stream of income, protection during a bear market, and increased diversification. But not all dividend stocks are equal: choose the wrong company and your benefits can vanish.

If you're looking for the best dividend stocks for next year and beyond, you've come to the right place. The following picks have juicy yields (up to 11%) and promising long-term prospects. Let's dive in.

Get cash every month

Chemtrade Logistics Income Fund ([TSX:CHE.UN](#)) has the biggest payout on this list, with the dividend yield recently topping 11%. While that's already an impressive return, there's a chance the stock price could pop as well in 2020. Total returns could exceed 20% next year if management can gain traction with its turnaround efforts.

Chemtrade has paid a dividend since 2001, so when considering this stock, know that it's completely committed to the payout. The dividend yield has reached double-digits several times over the years, and it's always been a buying opportunity. This time looks no different.

As I've [chronicled in the past](#), Chemtrade's business isn't without risk. It sells industrial chemicals that can go through boom and bust cycles. Notably, it's structured the business to mitigate most of this volatility.

Chemtrade is the low cost leader for many chemicals, and sells niche products that have better staying and pricing power than other commoditized offerings. Much of the time, volatility in one chemical is offset by volatility in another, but sometimes the dips line up, prompting investors to sell the stock.

If history is any indication, the company will be just fine. On the latest conference call, management stressed that they weren't worried about the high dividend and anticipated a business turnaround in the near future. The rebound could come as early as January 2020.

Recession-proof business

If you're buying a dividend stock, you want to make sure the payout is sustainable. Otherwise, your regular income stream will eventually disappear—one way or another.

If you want protection from dividend cuts and bear markets, but don't want to sacrifice your income potential, **Inter Pipeline Ltd** (TSX:IPL) stock is the way to go.

Pipelines are simply fantastic businesses. They're akin to owning the only road in town—if anybody needs to transport goods or people, they have to go through you. It's basically a [monopoly](#).

Inter Pipeline owns pipelines in Western Canada that have seen increased demand nearly every year for more than a decade. The company has leveraged this demand into pricing power and lucrative long-term contracts.

Management has turned growing profits into an impressive cash flow stream for investors. Dividends have grown for a decade straight, and the current payout is around 7%. Because most of its contracts are fixed price, Inter Pipeline's dividend isn't in danger even if the economy falls off a cliff in 2020.

Play the rebound

Sometimes the best move isn't to buy *today's* best dividend stock, it's to buy *tomorrow's* best dividend stock. **Encana Corp** (TSX:ECA)(NYSE:ECA) is a perfect example. The company only pays a 1.6% dividend, but that's artificially masked by massive buybacks.

The company recently instituted a \$1.25 billion repurchase plan, which is likely prudent given that the stock could be trading for less than half its theoretical worth. If management paid that money out as a dividend instead, the yield would easily surpass 5%.

Over time, Encana could make the perfect one-two punch, offering a healthy dividend yield *and* substantial upside. Just remember: this bet will take some patience to play out.

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1. TSX:CHE.UN (Chemtrade Logistics Income Fund)

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