Top Dividend Stocks for 2020

Description

Dividend stocks have real advantages.

First, they deliver regular cash income to help you meet everyday expenses. If you don't need the money right away, you can reinvest this cash to buy *even more* stock. That's a giant advantage when markets are falling. Few investors have the opportunity to regularly invest more capital, especially at market lows.

The second advantage is that dividend stocks often have lower volatility. Companies choose to pay a dividend because they no longer need to retain 100% of their cash production. By definition, these companies have a sizeable cash cushion to fall back on if the economy stutters.

Just be careful: not all dividend stocks are created equal. If you want reliable cash flow generation and mitigated market risk, pay close attention to the following picks.

A permanent advantage

Enbridge Inc (TSX:ENB)(NYSE:ENB) is in an enviable position. As the largest pipeline operator in North America, customers are willing to pay a high price to secure its business.

Think of pipelines like highways, except a single company controls the road, and it's the only one out of town. This is the dilemma that oil and gas producers face. They need to get their product to market, yet their only option is to use a pipeline. Even if there is an alternative, like crude-by-rail, it's almost always slower, more costly, and more dangerous.

This year, Enbridge is hoping to get its customers to commit to 10-year contracts with fixed pricing. This will turn it into a cash flow machine, with very little market risk. That should be good news for its 6% dividend.

Combine the advantages

Fairfax Financial Holdings Ltd (TSX:FFH) isn't known as a dividend stock, even though its yield recently hit 2.2%. Instead, Fairfax has been known as a growth stock. Since 1985, the stock has produced annual gains of roughly 17%. That's a record only matched by the likes of Warren Buffett.

In fact, this company is very similar to Buffett's **Berkshire Hathaway Inc**. Both companies own insurance businesses that throw off cash that needs investing. It's the combined returns of the insurance entities and investment returns that have fueled impressive long-term results.

With a market cap of $16.6 billion, Fairfax has plenty of growth ahead of it, but as the 2.2% dividend shows, it's also able to produce regular cash income for investors.

Stay vigilant

It's best to keep a long-term view, but that doesn't mean quality stocks can't become bargains in the short term. **Rogers Sugar** (TSX:RSI), for example, has delivered a growing dividend for 15 years.

Originally established as in income vehicle to redistribute the profits of its sugar operations, Rogers Sugar recently invested in value-add products like maple syrup to ensure the longevity of the payout. This progress was overshadowed when management revealed that its sugar crop had failed this winter. This pressure has pushed the dividend yield up to 7.5%.

Importantly, the crop should return to normal next year, and the maple syrup business continues unfazed. Those with a long-term investing horizon can take advantage of today's temporary troubles to lock in a 7.5% yield.

CATEGORY

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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:FFH (Fairfax Financial Holdings Limited)
4. TSX:RSI (Rogers Sugar Inc.)

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