Time to Capitalize: 3 Top High-Yield Income Stocks to Buy Now

Description

Hello, Fools! I'm back to highlight three high-yield dividend stocks. As a reminder, I do this because high-yield dividend stocks

- provide a healthy income stream in both good and bad markets;
- usually come from stable industries; and
- tend to outperform the market over the long run.

The three stocks below offer an average dividend yield of 3.7%. So, if you're looking to boost your tax-free income in 2020, these three stocks are a good place to start searching.

Without further ado, let's get to it.

One and only

With a solid dividend yield of 3.3%, Ontario electricity giant **Hydro One** (TSX:H) leads off our list this week.

Hydro One's healthy dividend continues to be supported by massive scale (roughly 1.4 million customers), a strong balance sheet, and a firm competitive position in the highly regulated province of Ontario. In 2019, for example, adjusted EPS increased 14% as revenue improved to $6.5 billion.

More importantly, operating cash flow increased to $1.6 billion, suggesting that the dividend is nicely covered.

"The fourth quarter capped an exciting year of operational excellence for Hydro One as we unveiled our new corporate strategy, increased our productivity and reinforced our leadership team," said CEO Mark Poweska. "Maintaining safe, reliable and customer focused operations are our key priorities as we charge into the next decade."

Hydro One shares are up about 40% over the past year and currently trade at a forward P/E of 20.

Fertile ground

Next up, we have fertilizer giant **Nutrien** (TSX:NTR)(NYSE:NTR), which boasts a healthy dividend yield of 4.3%.

Nutrien's big payout continues to be supported by a diversified portfolio, robust cash flows, and massive scale (over 27 million tonnes of potash, nitrogen, and phosphate sales). In 2019, for example, the company generated $2.2 billion in free cash flow, up an impressive 9% from 2018.

Looking ahead, management sees adjusted EPS and adjusted EBITDA of $1.90 to $2.60 per share and $3.8 billion to $4.3 billion, respectively.

"Our business is designed to provide stability in times of market weakness, with significant leverage through a recovery in fertilizer markets," said President and CEO Chuck Magro. "We remain focused on optimizing our network, allocating capital to grow our Retail business and leading our industry in returning capital to shareholders."

Nutrien shares are down about 25% over the past year and currently trade at a forward P/E in the high teens.

Sunny side up

Rounding out our list is life insurance giant **Sun Life Insurance** (TSX:SLF)(NYSE:SLF), which currently offers a solid dividend yield of 3.5%.

Sun Life's healthy dividends continued to be backed by steadily improving returns on equity, strong growth overseas (particularly in Asia), and increasing assets under management. In the most recent quarter, EPS of $1.34 topped estimates, as insurance sales improved to $1.4 billion.

More importantly, underlying return on equity clocked in at a solid 15% versus 13.6% in the year-ago period.

"In 2019, we exceeded $3 billion of underlying net income and achieved underlying EPS of $5.16, underlying return on equity of 14.3% and dividend growth of 10%," said President and CEO Dean Connor. "The strength of our investment capabilities is highlighted by the achievement of a key milestone, surpassing $1 trillion in assets under management in 2019."

Sun Life shares are up more than 20% over the past year and trade at a forward P/E of 10.

The bottom line

There you have it, Fools: three top high-yield stocks worth checking out.

As always, don't view them as formal recommendations. Instead, look at them as a starting point for more research. A dividend cut (or halt) can be especially painful, so you'll still need to do plenty of due diligence.

Fool on.

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TICKERS GLOBAL

1. NYSE:NTR (Nutrien)
2. TSX:H (Hydro One Limited)
3. TSX:NTR (Nutrien)
4. TSX:SLF (Sun Life Financial Inc.)

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