



Which Life Insurer Has the Better Dividend?

Description

Which is better: a large dividend or a growing dividend? It's a question that yield-focused investors have to ask themselves all the time. There's no better example than in the life insurance industry, where there are some companies that are truly worth considering for your portfolio. Below we take a look at two of them.

1. Manulife

Manulife Financial ([TSX: MFC](#))([NYSE: MFC](#)) certainly doesn't fit into the "large dividend" category; the stock yields only 2.5%, much less than its competitors or the big banks. However, there are plenty of reasons to believe it will go higher.

To establish proper context, Manulife suffered more during the crisis than any other large Canadian financial services company — even CIBC. Now that the company has recovered, it understandably wants to be very conservative with its capital. As a result, the company has not raised its dividend since slashing it in half in 2009. Last year Manulife paid out only \$0.52 in dividends despite earnings per share of \$1.62.

Thus Manulife has plenty of room to raise its dividend, and with the highest capital ratio in the industry, there will only be more room down the road. Dividend investors, take note.

2. Sun Life

Sun Life's ([TSX: SLF](#))([NYSE: SLF](#)) yield is currently a lot more substantial than Manulife's at 3.7%, but that isn't because the shares are any cheaper. Rather, it's because the company pays out a greater percentage of its earnings.

To illustrate, last year Sun Life paid out a total of \$1.44 per share in dividends, despite earnings of only \$1.55 per share. Therefore the company's payout ratio was 96%, triple that of Manulife's.

In fact, at 15.1 times earnings, Sun Life is actually a more expensive stock than Manulife, which trades at only 11.9 times earnings. The higher dividend yield certainly has something to do with that.

However, if you look closely, you'll notice that Sun Life's dividend has remained constant since 2008, and there's little reason to believe it will be raised any time soon. Furthermore, Sun Life's capital ratio is not as strong as Manulife's.

Not worth paying for extra yield

In this case, Manulife's growing dividend is likely a better option than Sun Life's high dividend. But it's important to keep tabs on how Manulife uses its money; if it doesn't want to pay out much of it to shareholders, then it better put it to good use increasing the value of the company. That being said, for now it's worth giving Manulife the benefit of the doubt.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

Category

1. Investing

Date

2025/08/27

Date Created

2014/06/19

Author

bensinclair

default watermark

default watermark