The 3 Best Dividends From the Financial Sector

Description

This may be hard to believe, but if you're looking for strong dividend-paying stocks, you can't skip over the financial sector. At least this is the case in Canada, where our banks are among the safest and most profitable in the world.

So with that in mind, below we take a look at the top three options.

1. Bank of Nova Scotia

Among the big five Canadian banks, perhaps no other is better positioned to grow than **Bank of Nova Scotia** (TSX: BNS)(NYSE: BNS).

Canada's third-largest bank is also its most international; about half of its net income comes from outside Canada's borders. Above all else, the bank is focused on emerging markets, specifically Mexico, Colombia, Peru, and Chile.

All of these countries not only have healthy, growing economies, but also have underbanked populations. So as more people need loans and bank accounts from these countries, the company will have plenty of tailwinds.

Best of all, the shares are not overpriced, trading at 13.6 times earnings. As a result, the dividend yields a healthy 3.5%. That's not bad for a company with such strong prospects.

2. Royal Bank of Canada

Royal Bank of Canada (TSX: RY)(NYSE: RY) is certainly firing on all cylinders. For one, Canada's largest bank — and largest company overall — is maintaining a strong grip on the domestic market, with a top two position in every Canadian banking product.

The news keeps getting better. It is heavily focused on its wealth management and capital markets businesses, which together accounted for 32% of earnings last year. These are areas where the world's largest banks have been in retreat since the financial crisis. That has allowed the bank to pick up market share, whether through organic growth in capital markets or cheap acquisitions in wealth management.

Despite the bank's success, it still only trades at 13.4 times earnings, and has a 3.6% dividend yield. So you don't have to overpay for one of Canada's top companies.

3. Manulife

At first glance, you would think that **Manulife Financial** (TSX: MFC)(NYSE: MFC) doesn't belong on this list. After all, the life insurer suffered terribly during the financial crisis, struggling to raise enough capital. Also, its dividend yields only 2.4%.

These two facts are not unrelated. Because Manulife struggled so much during the crisis, it has been reluctant to raise its dividend since recovering. As a result, the company pays out less than a third of its earnings to shareholders. Meanwhile, Manulife has built up a rock-solid capital base — the company is now easily better-capitalized than its peers.

Manulife's shares are cheaper too, at 12.5 times earnings. If you're willing to accept a lower yield for now, you would be setting yourself up for plenty of dividend growth down the road, and you would get all that for a great price.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BNS (The Bank of Nova Scotia)
2. NYSE:MFC (Manulife Financial Corporation)
3. NYSE:RY (Royal Bank of Canada)
4. TSX:BNS (Bank Of Nova Scotia)
5. TSX:MFC (Manulife Financial Corporation)
6. TSX:RY (Royal Bank of Canada)

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