3 Dividend Champions From the Financial Services Industry

Description

Canada's financial services industry has proven to be a boon for investors with the top five banks continuing to report solid earnings growth, which has seen them regularly hike dividend payments over recent years.

This continuing strong growth along with the financial stability of the industry makes it a great place for investors to seek out steadily growing sustainable dividend yields for their income-focused portfolio.

Let's take a closer look at three dividend champions that should form a core holding in any portfolio.

This bank's U.S. growth strategy will unlock value for investors

Canada's largest bank by assets is **Toronto Dominion Bank** (TSX: TD)(NYSE: TD) and its dividend payment has a staggering compound annual growth rate of 11% over the last 44 years. This can be attributed to the bank continuing to report record earnings, which allows it to hike its dividend, giving it a juicy yield of 3.4% and a very sustainable payout ratio of 50%.

All of these features make it a dividend champion, but what makes the bank stand out is its growth strategy, which is focused on expanding its U.S. retail banking and wealth management operations. The U.S. economy continues to perform more admirably than expected with falling unemployment and growing industrial activity helping to drive strong economic growth.

This will see TD Bank's U.S. operations continue to grow in strength. For the last reported quarter ending March 31, 2014, net income for its U.S. retail banking operations spiked a healthy 15% compared to the equivalent quarter in the previous year. The key drivers were solid loans and deposits growth, which will continue as the U.S. economic recovery gains greater traction and translates into further earnings growth and additional dividend hikes.

All of this makes Toronto Dominion a cornerstone holding for any dividend-focused stock portfolio.

This life insurer's conservative approach makes it a solid candidate for any portfolio

Canada's third largest insurer, **Sun Life Financial** (TSX: SLF)(NYSE: SLF), came through the global financial crisis in better shape than many of its competitors due to its conservative approach to risk and financial management. Over the last five years Sun Life has steadily grown its net earnings, allowing it to build a solid financial position and reward shareholders through a series of dividend hikes.

Since 2000, Sun Life's dividends have had an impressive compound annual growth rate of 8%, now giving it a tasty yield of 3.5%, which coupled with a payout ratio of 53%, is certainly sustainable.

However, more impressive is the company's solid financial footing. This has allowed the company to grow its product offering, seeing it expand to offer a range of diversified financial services, including boosting its products and services offering for affluent investors.

This has given it solid growth prospects, which bodes well for earnings to continue growing and further dividend hikes to reward loyal investors.

Canada's sixth largest bank offers a tasty dividend yield

Typically investors seeking dividend stocks from Canada's financial services industry only look as far as the big five banks given their history of solid performance and regular dividend hikes.

But Canada's sixth largest bank, the **National Bank of Canada** (TSX: NA) offers investors a solid dividend yield of 4%, which is higher than the majority of the big five, and a very conservative payout ratio of 45%, underscoring its sustainability.

The bank is also conservatively managed and has a solid balance sheet with only 0.2% of its total loans and acceptance classified as impaired loans, while the bank's provisions for credit losses on commercial loans has also fallen. But the bank is not as strongly capitalized as its big five peers, with a tier one capital ratio of 8.7%, although this is significantly higher than the required regulatory minimum.

Like its peers the bank has been expanding its operations into wealth management and financial markets through a series of acquisitions and once bedded down these will continue to see its bottom line grow, boding well for further dividend hikes.

Canada's financial services industry offers considerable potential for investors seeking sustainable dividends with juicy yields and the added security of investing in some of Canada's largest and most well-known companies. This makes many of its larger participants key companies to consider when constructing a dividend-focused portfolio and the three aforementioned stocks offer considerable potential for investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:TD (The Toronto-Dominion Bank)
2. TSX:NA (National Bank of Canada)
3. TSX:SLF (Sun Life Financial Inc.)
4. TSX:TD (The Toronto-Dominion Bank)

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