



3 Reasons to Buy Manulife Financial Corp. Instead of Sun Life Financial Inc.

Description

After many years of hardship, it looks like Canada's largest life insurers are as healthy as ever. Profits are up, stock prices are up, and a dividend was raised for the first time in quite a while. At this point, you should seriously consider adding a life insurance company to your portfolio.

Which one is the best? Below I take a look at Canada's two largest players and make the case that **Manulife Financial Corp.** ([TSX: MFC](#))([NYSE: MFC](#)) is a better option than **Sun Life Financial Inc.** ([TSX: SLF](#))([NYSE: SLF](#)). Here are the top three reasons why.

1. Promising earnings growth

Put simply, Manulife is firing on all cylinders. Insurance sales in Asia are helping to drive growth, as is the company's global wealth management business. Also, the company continues to make progress with lowering costs. Manulife's goal of \$4.0 billion in core earnings by 2016, up from \$2.6 billion in 2013, looks intact.

Meanwhile, Sun Life has been doing extremely well too, thanks largely to its U.S.-based money manager, MFS. However, its exposure to Asia is less than 10%, while Manulife's is more than 25%. Thus, Manulife's growth prospects look a lot more promising.

2. Better capitalization

During the financial crisis, Manulife was in trouble and looking to raise capital. It was not a pleasant experience for those involved. Therefore it's no surprise that the company is determined not to let that happen again.

This has shown up in the company's numbers. By the end of Q2 2014, the company's Minimum Continuing Capital and Surplus Requirements ratio had reached 243%, the highest among its peers. By comparison, Sun Life's stood at 222%.

Make no mistake — both of these capital ratios are strong. The difference underscores an important point, though: Manulife's traumatic past actually makes it a safer company today, simply because it

knows first-hand what would happen if it got carried away.

3. Cheaper price

Finally, and perhaps most importantly, Manulife's shares are cheaper, at only 10.3 times earnings, compared to 14.6 times earnings for Sun Life. Why is there such a discrepancy?

There are two likely reasons. One is that many investors have sworn to never invest in Manulife again after being burned so badly during the financial crisis. This is a silly reason for the stock price to be depressed, especially with Manulife so determined to avoid repeating these mistakes from the past.

Another reason may be its dividend yield. Manulife recently raised its quarterly dividend from \$0.13 to \$0.155 per share, but it still yields less than Sun Life — Manulife yields 2.8% while Sun Life yields 3.6%. However, while dividend investors may be shunning Manulife, this discrepancy comes from Manulife reinvesting more of its earnings, which should help boost earnings down the road.

At the end of the day, both companies would make a solid addition to any portfolio — but I think you should buy Manulife first.

CATEGORY

1. Investing

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1. NYSE:MFC (Manulife Financial Corporation)
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Date

2025/08/26

Date Created

2014/08/20

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