



Sun Life Financial Inc. and Power Financial Corp: 2 Financial Stocks With Great Dividends

Description

Sun Life Financial Inc. ([TSX: SLF](#))([NYSE: SLF](#)) and **Power Financial Corp** (TSX: PWF) are great alternatives to Canada's banks when investors are looking for reliable dividends from the financial sector.

Why avoid the banks?

Canada's big banks have been the no-brainer choice for investors for years, and in the long term that should continue to be a profitable decision.

However, the uninhibited binge on low-interest mortgages has driven up home and condo prices to nosebleed levels, and a lot of Canadian homeowners are leveraged to the max, carrying record amounts of debt obligations.

A rise in interest rates could trigger a serious domino effect of mortgage defaults and plummeting home prices.

If this happens, Canadian banks are going to take a hit, and while their dividends are probably safe, their record-high share prices aren't.

Here's why I think investors looking to put new money in dividend-paying financial stocks should pick Sun Life Financial Inc. and Power Financial Corp instead.

Sun Life Financial Inc.

During the great recession, Sun Life's shares took a beating as stock markets fell and interest rates dropped to near-zero levels. Low interest rates restrict the returns that Sun Life can earn when investing the cash it receives from policy holders, and tanking stock markets are bad news for its wealth management businesses.

Sun Life's shares dropped from \$55 to nearly \$15. To its credit, the company refrained from cutting its

dividend. One reason was the boost in capital it got by selling its stake in **CI Financial Corp** ([TSX: CIX](#)) to **The Bank of Nova Scotia** ([TSX: BNS](#))(NYSE: TSX) for \$2.3 billion in October 2008.

Fast forward five years, and stock markets are once again at record levels; even better, Sun Life's share price has recovered to \$41.

In its Q2 2014 report, Sun Life reported record assets under management of \$684 billion. The company said its U.S. operations are particularly strong right now.

I think the big opportunity for investors in the coming years is Sun Life's Asian assets. The company has invested significant time and money in growing its businesses in India and China, and those efforts will likely reward shareholders as the middle class populations in these countries demand more insurance and wealth management products.

Interest rates are still low, but that will probably begin to change late next year in the U.S. and in 2016 in Canada. Once the market finally believes that interest rates are headed higher, Sun Life's shares should attract a lot of positive attention.

Sun Life has held its dividend steady at \$1.44 per share since 2008. I expect investors will see a dividend hike in 2015 and continued increases thereafter.

The current dividend yield is about 3.5%.

Power Financial Corp

As one of Canada's great holding companies, Power Financial gives investors an opportunity to benefit from its ownership of top-rated life insurance companies and wealth management firms.

Great-West Lifeco Inc. ([TSX: GWO](#)) is wholly owned by Power Financial and has a number of life insurance companies in its stable. The business has been very successful, even in a challenging low-interest-rate environment.

Power Financial also owns **IGM Financial Inc.** ([TSX: IGM](#)), one of Canada's top personal financial service companies, which has \$142 billion in total assets under management. IGM's financial advisors help Canadians achieve their retirement goals by placing their investment cash into a variety of IGM's mutual funds.

Canadian demand for financial advisory services should continue to grow as young people are forced to take a more active role in their retirement planning. This should bode well for IGM's business.

As with Sun Life, the eventual increase in interest rates should benefit Power Financial's insurance assets.

Power Financial held its dividend steady through the crisis, and investors might see it start to move higher again in the next year. The payout of \$1.40 yields about 4%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNS (Bank Of Nova Scotia)
2. TSX:CIX (CI Financial)
3. TSX:GWO (Great-West Lifeco Inc.)
4. TSX:IGM (IGM Financial Inc.)
5. TSX:SLF (Sun Life Financial Inc.)

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