

Sun Life Financial Inc. or Royal Bank of Canada: Which Is the Best Investment?

Description

One is an insurance company and the other is a bank, but **Sun Life Financial Inc.** ([TSX: SLF](#))([NYSE:SLF](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) are both betting on wealth management to drive future earnings growth.

Let's look at the two companies to see if one deserves a spot in your portfolio.

Sun Life Financial

Sun Life is primarily known for its insurance business in Canada, but the company also has significant operations in the U.S. and Asia.

Sun Life's U.S.-based MFS Investment Management division anchors the global asset management business. The group's success has been driven by a rebound in U.S. equity markets. Now, MFS is focused on building its brand to reach a global audience.

The company also launched Sun Life Investment Management Inc. in 2014. The \$250 million subsidiary is a third-party institutional asset manager and is expected to ramp up sales through 2015.

In Q3 2014, Sun Life reported a year-over-year increase in assets under management (AUM) of 18% and underlying net income grew by 15%. Asian life insurance sales jumped 33% in the quarter, and the company continues to expand its brand and product offerings across the region. In 2013, the company spent \$300 million on an acquisition to build its presence in Malaysia.

Proposed changes in India's foreign investment laws could lead to huge long-term benefits for Sun Life. The company already has a strong footprint in the country through its Birla Sun Life partnership. New rules designed to encourage investment would allow Sun Life to nearly double its stake in the company.

Royal Bank of Canada

Royal Bank recently announced a US\$5.4 billion deal to acquire Los Angeles-based City National. The purchase is a huge bet on wealth management services for high net worth individuals in the U.S. market.

The takeover is Royal Bank's largest to date and sends a strong message to investors that the new CEO, David McKay, plans to expand aggressively into U.S. private and commercial banking.

In 2014, Royal reported a net income of \$9 billion. Wealth management earnings increased 22% compared to 2013 and represented about 12% of the total profits. Capital market activities enjoyed a 21% gain and contributed about 23% of earnings. Insurance earnings jumped 31%, and represent about 9% of profits.

Which should you buy?

Royal Bank still gets more than half of its earnings from Canadian banking. The current rout in the oil market is hitting Alberta hard, and Royal has about 19% of its total mortgage lending exposed to the province. Canadian retail customers are carrying a lot of debt, and the big banks know they have to look to other sources for revenue growth. Royal appears to be shifting in the right direction, but there are uncertainties tied to its capital markets revenues and the Canadian mortgage portfolio.

Sun Life's core operations are already focused on insurance and wealth management. Its international footprint and low exposure to Canadian housing probably make it a more attractive bet right now. Sun Life could also reward shareholders with a nice dividend increase this year.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:RY (Royal Bank of Canada)
3. TSX:SLF (Sun Life Financial Inc.)

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