



3 Top Financial Stocks to Buy for Growth and Income

Description

As Foolish investors can attest, finding the right stock at the right price is not an easy task, especially when you are searching for one that can provide both growth and dividend income. Well, in order to make things easier for you, I have done the hard part and found three dividend-paying stocks from the financial sector that are trading at inexpensive forward valuations, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Royal Bank of Canada

Royal Bank of Canada ([TSX:RY](#))([NYSE:RY](#)) is the second-largest bank in Canada with approximately \$1.09 trillion in total assets.

At today's levels, its stock trades at just 11.2 times fiscal 2015's estimated earnings per share of \$6.63 and only 10.8 times fiscal 2016's estimated earnings per share of \$6.93, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 11.4 and its five-year average multiple of 12.9.

I think RBC's stock could consistently trade at a fair multiple of at least 12, which would place its shares upwards of \$83 by the conclusion of fiscal 2016, representing upside of more than 11% from current levels.

In addition, the company pays a quarterly dividend of \$0.79 per share, or \$3.16 per share annually, giving its stock a 4.2% yield. Investors should also note that it has increased its dividend for five consecutive years.

2. Intact Financial Corporation

Intact Financial Corporation ([TSX:IFC](#)) is one of the leading providers of property and casualty insurance in Canada.

At current levels, its stock trades at just 15.4 times fiscal 2015's estimated earnings per share of \$6.24 and only 14.3 times fiscal 2016's estimated earnings per share of \$6.71, both of which are inexpensive

compared with its trailing 12-month price-to-earnings multiple of 16.1 and its five-year average multiple of 15.5.

I think Intact's stock could consistently trade at a fair multiple of at least 16, which would place its shares upwards of \$107 by the conclusion of fiscal 2016, representing upside of more than 11% from today's levels.

Also, the company pays a quarterly dividend of \$0.53 per share, or \$2.12 per share annually, which gives its stock a 2.2% yield. It is also worth noting that it has increased its dividend for 10 consecutive years.

3. Laurentian Bank of Canada

Laurentian Bank of Canada ([TSX:LB](#)) is one of the largest financial institutions in eastern Canada with approximately \$39.6 billion in total assets.

At today's levels, its stock trades at just 9.3 times fiscal 2015's estimated earnings per share of \$5.61 and only 8.9 times fiscal 2016's estimated earnings per share of \$5.87, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 10.4 and its five-year average multiple of 10.4.

I think Laurentian Bank's stock could consistently trade at a fair multiple of at least 10, which would place its shares upwards of \$58 by the conclusion of fiscal 2016, representing upside of more than 11% from current levels.

Additionally, the company pays a quarterly dividend of \$0.56 per share, or \$2.24 per share annually, giving its stock a 4.3% yield. Investors should also note that it has increased its dividend for eight consecutive years.

Should you buy one of these financial stocks today?

Royal Bank of Canada, Intact Financial, and Laurentian Bank of Canada can provide both growth and income to your portfolio. Foolish investors should take a closer look and consider buying one of them today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:LB (Laurentian Bank of Canada)
4. TSX:RY (Royal Bank of Canada)

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