# Sun Life Financial Inc. or Toronto-Dominion Bank: Which Blue-Chip Stock Needs to Be in Your Portfolio?

## Description

When buying blue-chip stocks, it's important to invest in companies with sustainable dividends and strong growth prospects. **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF) and **Toronto-Dominion Bank** (TSX:TD)(NYSE:TD) meet both criteria and were recently included in Corporate Knights's rankings of the top 100 most sustainable companies in the world.

Both Sun Life and TD are leaders in their respective industries, but should you add both companies to your portfolio?

**Sun Life Financial**

Life insurance companies like Sun Life will stand to benefit from a rising interest rate environment. These companies take the insurance premiums paid by customers and invest them in fixed-income securities until insurance payouts are required. With 57% of Sun Life's portfolio tied to fixed-income securities, it will be able to generate greater yields from these securities, resulting in greater earnings.



With 80 million baby boomers near retirement, the demand for asset management and financial services will continue to increase. Sun Life's asset-management division is well established and has a great track record of performance. Sun Life expects to continue to grow this area of its business, which currently makes up almost one-third of its operating profits.

After benefiting from the "Trump Bump" in November 2016, the stock saw a slight dip after missing its projected earnings in the last quarter of 2016. With the stock currently trading at a price-to-earnings ratio below its five-year average, a buying opportunity has opened for a great company with a 3.37% dividend yield.

**TD Bank**

There are two advantages TD has over its Canadian competitors: exposure to the U.S. and its current loan portfolio.

To continue to grow and expand current operations, Canadian banks need to look to international markets. Fortunately, TD chose the U.S. as its focus for penetrating new markets. The combination of a weak Canadian dollar and a stronger U.S. economy could result in higher returns for the company and investors, and allow it to grow its current dividend yield of 3.17%.

TD also has a loan portfolio with low exposure to the energy industry, unlike other Canadian banks. With only 1% of its loan portfolio tied to energy companies, its earnings will not be impacted by low energy prices.

Currently, TD is trading on par with its five-year price-to-book average, but above its five-year average price-to-earnings ratio. Therefore, the stock is expensive at this time. However, as Warren Buffett once said, “It’s far better to buy a wonderful company at a fair price than a fair company at a wonderful price.”

**Foolish bottom line**

Both companies are clearly well positioned for the future and provide reliable dividends. However, with the large run-up of Canadian banks in 2016, these companies are currently too expensive. Therefore, I recommend acquiring shares in Sun Life over TD Bank at this time.

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