



Toronto-Dominion Bank vs. Manulife Financial Corp.: Which Is the Better Long-Term Buy?

Description

Toronto-Dominion Bank ([TSX:TD](#))([NYSE:TD](#)) and **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)) are two popular financial stocks that look attractively valued at current levels. Investors have contemplated whether they should buy one of Canada's best-run banks on weakness or if they should opt for a life insurance company which may be on the verge of a breakout. Both stocks offer bountiful yields north of 3%, but which stock is the better value for long-term investors today?

Toronto-Dominion Bank

TD Bank is arguably the best bank to buy right now because of its strong U.S. presence and its top-notch risk-management strategy. The management team intends to beef up its U.S. exposure over the next few years, and given that the U.S. economy is likely to experience a boost thanks to Trump's pro-growth agenda, TD Bank is the best-positioned bank to benefit from such a tailwind.

Many investors are fearful of a Canadian housing collapse, but if you can sleep easy if you own shares of TD Bank because a collapse is unlikely to send shares crashing since about 48% of TD Bank's loans are insured from such a housing meltdown.

I believe TD Bank has the best risk-management strategy of any Canadian bank and that shares deserve to trade at a substantial premium to peers. TD Bank currently trades at a 12.9 price-to-earnings multiple, a 1.7 price-to-book multiple, and a 2.7 price-to-cash flow multiple, all of which are slightly lower than the company's five-year historical average multiples of 13, 1.8, and three, respectively.

Shares are not trading at a huge discount compared to historical average valuations, but when you consider the tailwinds that lie ahead, I think TD is a solid bet and will probably be the Big Six bank that raises its dividend by the largest amount over the next five years.

Manulife Financial Corp.

Manulife is a great alternative for investors looking for a non-bank stock in the financial sector. The

company was beaten up quite badly during the Financial Crisis and has yet to recover. Like TD Bank, Manulife has a solid presence in the U.S.

Many pundits are bullish on the U.S. economy, and it's very likely that the Fed will continue to raise interest rates at a quicker rate moving forward. This is a huge plus for life insurance companies. The increase in consumer spending that comes with a stronger economy may result in a higher demand for insurance products.

In addition to Manulife's strong U.S. business, the company has some promising Asian growth prospects. In the recent quarter, the Asian segment contributed \$408 million to core earnings, which was up from \$371 million from the prior quarter. Going forward, Manulife is expected to make more exclusive deals in Asia, which will spark even more growth from the underrated Asian business.

Better buy?

Both stocks are terrific buys today, but if I had to choose one, I'd go with TD Bank because it has a slightly higher yield at 3.67% over Manulife's 3.37% and because the company will be faster to rebound in the event of another economic downturn.

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