# TFSA Investors: 5 Canadian Dividend Stocks to Own as Interest Rates Increase

## Description

Canadian investors are wondering which stocks are likely to benefit in an environment where interest rates are moving higher.

Let's take a look at **Sun Life Financial Inc.** (TSX:SLF)(NYSE:SLF), **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC), **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS), **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI), and **Intact Financial Corporation** (TSX:IFC) to see why they might be interesting picks.



**Sun Life**

Insurance companies have to set aside a significant amount of cash to cover potential claims. Normally, this money is held in secure, fixed-income assets.

As interest rates rise, the return the insurance companies get on this money usually improves, and that can boost income significantly when you are looking at billions of dollars.

Sun Life owns insurance and wealth management operations primarily located in Canada, the United States, and Asia.

The Asian businesses are positioned well to benefit from rising wealth in the region, especially in India, where Sun Life has a long-standing presence through its Birla Sun Life partnership.

The stock currently offers a dividend yield of 3.6%.

**Manulife**

Manulife is involved in the insurance, wealth management, and reinsurance segments of the financial sector.

Recent reports suggest the company is considering a sale of its U.S. division to focus more on growing its presence in Asia. The move would be a major change for the company, as the U.S. division brought in more than 30% of the total profit in 2016.

Manulife is raising its dividend again after cutting the payout in half during the Financial Crisis. The stock currently provides a yield of 3.2%.

**Bank of Nova Scotia**

Bank investors in Canada are trying to decide if higher rates will be a good thing.

On the positive side, rising rates normally boost margins for the banks on their lending operations, and that tends to push profits higher.

With Canadians carrying near-record personal debt, there is a risk that higher rates could trigger defaults in the mortgage market. Bank of Nova Scotia’s mortgage portfolio is large, but it is also capable of riding out a significant drop in house prices.

In addition, the international operations provide about 30% of the bank’s profit, which is a nice hedge against weak economic conditions in Canada.

The dividend yield is 3.9%.



**CN**

CN is literally the backbone of the Canadian and U.S. economies with a rail network that touches three coasts.

Rising interest rates tend to occur at times of economic growth, so recent rate hikes in Canada and the United States should bode well for CN’s operations.

The company is widely viewed as the top pick in the sector and management does a good job of running a tight ship.

CN’s annual dividend-growth rate is about 16% for the past two decades, so long-term investors have seen some nice returns through the higher payouts.

**Intact Financial**

Intact provides insurance products to people for homes, cars, and property. It also has commercial operations.

As with other companies in the insurance sector, Intact has to set aside money to cover potential claims, and rising interest rates normally boost returns on those investments.

The company continues to make strategic acquisitions and is a major player in the Canadian market.

The dividend yields 2.6%

**The bottom line**

Investors have to be more careful when picking dividend stocks in the current environment, but good opportunities are still out there to boost returns in your TFSA.

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3. NYSE:MFC (Manulife Financial Corporation)
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5. TSX:CNR (Canadian National Railway Company)
6. TSX:IFC (Intact Financial Corporation)
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