



Is Manulife Financial Corp. Still in the Dark Ages?

Description

Roy Gori, the new CEO of **Manulife Financial Corp.** ([TSX:MFC](#))([NYSE:MFC](#)), said that the insurance industry is “still in the dark ages” and needs to adopt new technologies to adapt to a changing industry.

It's not a mystery that Manulife, as well as many other Canadian life insurance providers, haven't really gone anywhere over the last few years. Although the dividend, which currently yields 3.5%, is attractive, many Manulife investors are becoming fed up with the lack of performance and have been pushing for the spin-off of John Hancock, which has been quite the laggard of late.

I think such a spin-off is unlikely and probably not in the best interests of the company over the long term. Many investors are dismissing Trump's pro-growth agenda, but I believe it's still likely in the cards, and if it ever comes to fruition, the U.S. economy will take off, and that's some good news for John Hancock.

What else will get Manulife out of the dark ages?

The life insurance providers have been in the dark ages for many years now, but there's reason to believe that conditions will improve over the next five years. Interest rates are on their way up, and that's a tailwind for the life insurers, which will help them propel out of the dark ages gradually over time.

Manulife's Asian business is also something to be optimistic about as a tonne of wealth gets handed down to the next generation. Manulife made exclusive deals with Asian banks, so it can be the go-to insurance provider for each bank's existing customers.

According to Mr. Gori, a majority of Manulife's tech budget is allocated towards maintenance and is not being invested in new innovative technologies. Mr. Gori wants to steer Manulife in the direction of becoming a tech-driven company to cater to the needs of its customers. Going forward, it's expected that Manulife will spend a larger amount on tech with the hopes that such initiatives will help increase customer satisfaction.

Bottom line

A lot of investors have become impatient with Manulife of late, but I think now is probably one of the worst times to be throwing in the towel. Interest rates are moving up, consumer spending may increase if Trump's agenda ever gets implemented, and Manulife's Asian business is enjoying a tremendous amount of momentum, which I believe will continue to accelerate.

Be patient with Manulife and collect the bountiful dividend while you wait for it to gradually climb out of the dark ages over the next decade.

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