2 Dividend Stocks to Earn Growing Retirement Income

Description

As you try to develop a portfolio to earn stable retirement income, it makes sense to look for some low-risk/low-reward stocks from established industries. Insurance companies perfectly fit in this family of stocks.

Research has shown that stocks with low volatility and modest but steady growth generally outperform growth stocks in the long run. With this theme in mind, I have picked Canada's two largest insurance companies to see which one is a better buy today.

Manulife Financial

Manulife Financial Corporation (TSX:MFC)(NYSE:MFC), Canada's largest insurer, offers financial advice, insurance, and wealth and asset management services to individuals, groups, and institutions.

The company has a large global presence, focusing on Asia, where it operates in some of the largest economies of the region, including China, Japan, Hong Kong, Singapore, Vietnam, the Philippines, and Cambodia. Manulife serves 26 million customers globally with more than a trillion dollars in assets under management and administration.

Manulife's strong presence in Asia is helping the company to grow its earnings, as some of these emerging markets are still underserved when it comes insurance and wealth management services.

In 2017, Manulife's Canadian and Asian businesses experienced double-digit growth, while its U.S. sales were almost flat. The overall growth helped its diluted earnings per share to rise 13% when compared to the last year.

Despite managing this impressive portfolio, Manulife is not the stock to make a quick buck. If you look at its share performance, you'll realize that it's a slow but steadily growing stock. Over the past five years, the company has handed in 68% in total returns.

At 8.7 times forward consensus earnings estimates and a dividend yield of over 3.6%, Manulife stock is a good buy-and-hold candidate for your retirement portfolio. The company pays $0.22 a share in quarterly dividend that was raised by 7% in February.

Sun Life

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) is another Canadian insurer for you to consider for your retirement income portfolio. Like its close rival Manulife, Sun Life is growing aggressively in Asia to diversify its asset base away from the local market where margins are low.

The company has a strong presence in India, Malaysia, Vietnam, Indonesia, the Philippines, and Hong Kong through subsidiaries or joint ventures. With $1.6 billion in excess capital, the company is in an acquisition mode and looking for attractive targets to expand, according to news reports.

Sun Life is also benefiting from its strong presence in the U.S., where the robust job market is helping the company to win more employee benefits business. Sun Life acquired this business from Assurant in 2016 for US$940 million — a deal that made it the sixth-biggest provider of group benefits in the world's largest economy.

Trading at $53.51 a share and with the forward P/E multiple of 10.64, Sun life stock is a bit expensive when compared to Manulife but it has good growth potential. The company recently raised the quarterly dividend to $0.455 per share with an annual dividend yield of 3.47%.

The bottom line

Both insurance stocks are attractive buy-and-hold picks for a retirement portfolio. In an environment when interest rates are rising, insurance companies generally do better than other financial stocks. This is probably the right time to get excited about these old and boring businesses.

CATEGORY

1. Dividend Stocks
2. Investing

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3. TSX:SLF (Sun Life Financial Inc.)

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