



Which Canadian Life Insurer Offers Investors the Best Dividend Today?

Description

Great-West Lifeco Inc. ([TSX:GWO](#)) [managed to please the market once again](#), reporting strong first-quarter results last week, which included net profits up 24% over the year-ago period.

While Great-West has been picking up the slack back home, **Manulife Financial Corporation** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) have, as of late, been more focused on international markets. Picking the right insurance company for your stock portfolio more often than not boils down to picking the company with the best dividend.

That's partly because — [along with the Canadian banks](#) — Canada's life insurance companies have proven over the years to be reliable sources of dividend income for retirees and those looking to supplement their income.

And that's partly because of the slow and steady nature of the insurance business and the fact that most insurance companies tend to pay out a good portion of their earnings to shareholders annually in the form of dividends.

The investment thesis for insurance companies is straightforward. Most investors focus on the dividend; if you can identify the company with the best dividend payout, others will be likely to follow in your wake and, in doing so, push the firm's share price higher, providing the desirable complement of capital gains appreciation to your already valuable dividend stream.

Which Canadian life insurer offers shareholders the best dividend today?

One way to evaluate a prospective dividend investment is by looking at the dividend yield the shares offer at today's prices. This tells us which company would offer the best income stream if we were to naively assume no dividend increases in future years.

In this respect, Great-West leads the pack with a 4.44% yield. Sun Life and Manulife are no slouches either, paying 3.44% and 3.38%, respectively, but Great-West gets the nod and would be best suited for those looking for an income stream they can use today.

But while a company's current dividend yield is a good place to start, long-term investors will also be looking for a dividend that will grow over time.

One way to estimate the potential for a company's future dividend increases is to combine the outlook for that company's return on equity (ROE) with the company's retention ratio, or the percentage of earnings that are not paid out to investors as dividends but are reinvested in the company.

Through this lens, its again Great-West that takes the cake, offering shareholders a sustainable growth rate of 8.7% — considerably ahead of Sun Life at 6.1% and almost double the potential growth rate of Manulife, which trails the pack at 4.5%

Conclusion

It looks like Great-West is the superior dividend play right now among the three, but it should also be noted that over the past 12 months, Sun Life and Manulife have both rewarded shareholders with more aggressive dividend hikes than Great-West.

It could be that Sun Life and Manulife hold optimistic views on their respective futures, or it could be that they are simply finding themselves trying to keep pace with Great-West's recent outperformance.

Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/25

Date Created

2018/05/13

Author
jphillips

default watermark

default watermark