



2 of the Best Canadian Insurance Stocks Are Undervalued

Description

There are at least three really good insurance stocks on the TSX at the moment. However, they all seem to be getting overlooked, and, as such, they seem to be undervalued. This is a good opportunity for RRSP and TFSA investors, growth investors, and value investors alike.

If you hadn't considered buying a [top insurance stock on the TSX](#), these are the two most solid and potentially lucrative. They both have a great balance sheet, and both pay a sizeable dividend. But is now the right time to buy, and should you pick up both while you're at it? Let's discuss.

Are investors missing out on insurance stocks?

Financials are hot property at the moment, but the sector extends beyond the Big Six and other banking institutions. Investors might be overlooking insurance stocks, and, in fact, they generally seem to be undervalued at the moment. Let's look at two of the best.

Great-West Lifeco Inc. ([TSX:GWO](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) look pretty similar on the face of it. They're both healthy stocks, pay decent dividends, and operate in the same sector. However, there are definitely differences between the two. The first you can see already — Sun Life trades on the New York Stock Exchange, so you know right away that it's probably going to be more expensive of the two.

And it is. The first thing you need to look at here is value. Great-West Lifeco is trading at \$33.40 to Sun Life's \$54.50. But that's share price, not the value. So, let's dig a little deeper. Both have fairly low P/Es for the TSX at around the 14.5 mark, and both have market-weight multiples across the board. Even better news on value is that they're both discounted by more than 20%.

Health insurance for your dividend portfolio

Value investors can take note of the above. If you're a growth stock fan, you'll be pleased to see that Great-West Lifeco is looking at a 12.2% expected rise in annual earnings, with Sun Life at 9.2%. Dividend investors can expect a 4.66% yield from Great-West Lifeco, putting it ahead of Sun Life's 3.49% yield.

They're both good, solid stocks, too, with impeccable balance sheets. One of the things to look for at the moment if you're in the market to buy long-term stocks on the TSX is to [look for overall strength](#). While Canadian insurance stocks aren't the strongest out there, nor the highest dividend payers, they are nice and sturdy, so you can expect them to see you through a turbulent year on the economic front.

The bottom line

Great-West Lifeco is the better value of the two stocks, trading at a discount of 26% to Sun Life's 21%, if you decide to buy only one. However, if you do buy both, you can potentially use them for different things. Great-West Lifeco has been falling since last October, while Sun Life has been rising for the same period. This means that you have the chance to sell Sun Life high once its share price climbs into overvalued territory, while keeping Great-West Lifeco for a superior passive income.

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1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:SLF (Sun Life Financial Inc.)

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