



Is Manulife Financial Corporation (TSX:MFC) or Sun Life Financial Inc. (TSX:SLF) a Top RRSP Pick?

Description

Canadian savers are searching for buy-and-hold stocks to put inside their self-directed [RRSP](#) portfolios. Let's take a look at two of Canada's insurance companies to see if they deserve to be on your buy list.

Manulife Financial Corporation ([TSX:MFC](#))([NYSE:MFC](#))

Manulife recently announced plans to eliminate 700 Canadian jobs, primarily in back-office roles, as part of an ongoing process to improve operational efficiency. The company is ramping up its digital capabilities in order to meet the changing demands of its customers.

Manulife is also looking to save costs by reducing its head office operations to a single location located in Waterloo. The company intends to hire more talent with software development skills, so maintaining the corporate headquarters in the Kitchener-Waterloo region makes sense, given the significant technology talent pool in the immediate area.

Manulife reported solid Q1 2018 results. Fully diluted earnings per share came in at \$0.67 compared to \$0.66 in Q1 2017.

The company has insurance operations in Canada, the United States, and Asia. Manulife also has a large global wealth and asset management business.

Asia generated core earnings of \$427 million in Q1 compared to \$357 million in the same period last year. Canada generated earnings of \$290 million compared to \$255 million. The U.S. operations saw a slight drop in year-over-year earnings from \$441 million to \$432 million, and the Global Wealth and Asset Management group turned in a strong showing, delivering earnings of \$227 million, up from \$188 million last year. The company operates under its John Hancock brand in the United States.

Manulife pays a quarterly dividend of \$0.22 per share. The company slashed the payout by 50% to \$0.13 in 2009 amid the financial crisis, but it began raising the distribution again in 2014. Investors have since seen steady growth in the dividend and a return to the previous level appears likely in the

next couple of years.

At the time of writing, Manulife provides a [yield](#) of 3.65%.

The stock has more than doubled off the financial crisis lows and currently trades at \$24 per share. However, that's still down significantly from the 2007 high that topped \$42.

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#))

Sun Life also operates insurance, wealth management, and asset management businesses in Canada, the United States, and Asia.

The company delivered strong Q1 2018 results, with reported net income rising 21% compared to Q1 2017.

Sun Life has made good progress on its digital transformation efforts. According to the Q1 report, the majority of its Canadian group health customers can now file claims directly through the web or mobile apps, and more than 2.1 million clients are using digital platforms to engage with the company.

Highlights in the quarter include a 17% increase in U.S. Group benefits sales. SLF Asset Management reported a 23% rise in net income to \$210 million, supported by lower income taxes rates in the United States and higher average net assets.

In Asia, net income jumped \$48 million year over year in the first quarter to \$133 million. Insurance sales in the region rose 17% with strong performances from the Philippines, Indonesia, Vietnam, China, India, and Malaysia. SLF Asia wealth sales increased 29%, driven by the Hong Kong pension business.

Sun Life kept its dividend steady at \$0.36 per share during the financial crisis, despite enduring some challenging times. The company sold off its annuity business to reduce risk and is building its asset management operations.

Dividend growth resumed in 2015, and the payout continues to move higher. Sun Life recently raised the distribution by 4% to \$0.475 per share. That's good for a yield of 3.6%.

The stock currently trades for close to \$53, which isn't far off the high it hit before the Great Recession. Sun Life was \$22 per share six years ago, so investors who'd bought in the wake of the crash have done well.

Is one more attractive?

Both companies should do well in a rising interest rate environment, but I would probably make Sun Life the first choice today for a buy-and-hold RRSP portfolio. The company appears to be ahead of its larger peer on its digital turnaround efforts and is starting to see its Asian investments deliver strong growth.

CATEGORY

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2. Investing

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