



Which Canadian Life Insurance Company Should You Add to Your Dividend Portfolio Today?

Description

If you're like me, the Canadian insurers have been a bit of a disappointment. Over the past few years, neither Manulife nor Sun Life have done as well as expected. For years, we were told that rising rates would lead to higher profitability for the life insurance company. The stock prices have risen somewhat, but not quite as much as expected.

Canada has a number of insurance companies, but **Manulife Financial Corporation** ([TSX:MFC](#))([NYSE:MFC](#)) and **Sun Life Financial Inc.** ([TSX:SLF](#))([NYSE:SLF](#)) are considered to be two of the top insurance companies to own in the Canadian stock market. Both stocks have a number of attractive points, such as their good dividend yields and relatively low valuations. But are they good stocks to hold, and which one should you choose if you had to pick?

Manulife Financial Corporation

Of the two stocks, Manulife generally has the [most negativity](#) surrounding it. Its decision to cut the dividend during the financial crisis almost a decade ago still has former investors shying clear of the stock. But the company has performed very well in recent years and is very diversified in multiple geographies, especially Asia and the United States.

Earnings were quite good for the company in Q1 2018. Manulife increased earnings by 22% over the past year and net income increased by 6%. Return on equity increased from 11.1% to 13.4%. The company also managed to lower its leverage ratio. On top of these results, Manulife also raised its dividend 7% so that the dividend at the current price sits at about 3.56%.

Sun Life Financial Inc.

Sun Life has been generally seen in a positive light as compared to Manulife, mostly because it never cut its dividend, although it did halt raising it for a period. Sun Life also operates internationally in the [United States and Asia](#), providing some diversification, although its Asian operations are not as extensive as that of Manulife's.

Results for the company have been quite good as well. Net income rose over 21% in Q1 2018 year over year and diluted earnings per share rose around 35%. Return on equity rose from 11% to 13.1%, much the same as it did with Manulife. Leverage for Sun Life decreased as well. Overall, the financial picture continues to be strong.

For several years now, however, it has been raising its dividend quite frequently. At the present market price, the dividend is similar to Manulife's at around 3.41%. This includes a 4% hike in the second quarter.

So which one should investors choose?

Honestly, looking at the results, it seems that you have a couple of options. With the similarity in the results and dividends, you could really close your eyes and point at one to buy. There is simply not that much difference between the two. Manulife appears to be slightly more established in Asia, but Sun Life has a satisfactory presence there as well. Probably the best strategy would be to buy some of each, given the similarity in their performances if you decide to buy.

Of the two, however, Manulife probably has the most upside potential, as it is currently trading at a cheaper valuation. So while they are similar, the fact that Manulife is still coming off a lower base could indicate more upside potential if higher interest rates ever take effect and start moving these stocks higher.

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1. Dividend Stocks
2. Investing

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2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

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