



Retirement Investors: 3 Financial Stocks to Buy for Healthy Dividends

Description

Banking and other financial service stocks are favourites of Canadian investors looking for dividends. But just how good are those passive incomes that you like to stash in your TFSAs and RRSPs? Let's take a look at three domestic financial stocks that are less analyzed in the press than some of their competitors and see how their dividend yields hold up to scrutiny.

Canadian Western Bank ([TSX:CWB](#))

Originally a bank designed to be for the west and headquartered in the west, [Canadian Western Bank](#) has expanded across Canada since its inception, providing additional services to its core of financial ideals.

As a ticker, it has a lot going for it, too. While its P/E ratio of 13.3 times earnings is a shade high today for the Canadian banking industry, it's not bad value at all compared to the TSX at large. A 9.9% expected annual growth in earnings isn't significantly huge, though any growth in a Canadian bank is positive in today's saturated financial market. Last year's ROE of 10% is somewhat middling, while a dividend yield of 2.78% could be better. This stock is valued about equal to its future cash flow value.

National Bank of Canada ([TSX:NA](#))

The sixth-largest bank in Canada today has a low P/E of 11.3 times earnings and, sadly, an even lower 4.6% expected annual growth in earnings. Last year's ROE of 15% beats Canadian Western Bank's use of shareholders' funds, while a superior 3.83% dividend yield gives would-be investors a good reason to stash this one in their savings funds. Discounted by 13% compared to its future cash flow value, National Bank is looking like a good bang for your buck today.

First National Financial ([TSX:FN](#))

This champion of Canadian banking stocks has great fundamentals today. Starting off with a low P/E of 9.5 times earnings and discounted by 8% compared to its future cash flow value, it's clear that [First National](#) is a stock for value investors straight away. A low 2.8% expected annual growth in earnings is a bit of a letdown, though last year's ROE of 33% combined with a dividend yield of 6.33% marks this

stock out as a shareholders' favourite.

This stock has to be the overall winner of the stocks listed here today. Not only does it pay the highest dividend, but that yield is backed up by a great track record. While it doesn't have the highest expected growth of the three stocks, all of their earnings forecasts were pretty mediocre anyway. And while it may not be as deeply discounted as National Bank of Canada, it's clearly the more desirable stock.

The bottom line

Often when investors go shopping for dividend stocks, they tend to think they can overlook the health and strength of those stocks, bypassing key indicators such as value and past performance. Ignoring value indicators means that your future gains could be watered down, while choosing not to heed a stock's past ROE may leave you in the dark as to how that stock may perform in years to come. Taking all of these factors into account, First National comes out on top today in our pick of three financials stocks.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)
2. TSX:FN (First National Financial Corporation)
3. TSX:NA (National Bank of Canada)

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Date

2025/08/17

Date Created

2018/08/13

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