Why This Boring Dividend Stock Could Be a Great Candidate for TFSAs

Description

Businesses that never die are boring. Look at your banks, insurance companies, and telecom utilities. Every month, these companies take their fee out of your bank account and you rarely complain.

This cash-cow nature of their businesses make them perfect candidates for your Tax-Free Savings Account (TFSA), which you want to build to earn growing dividend income.

The other reason to own these dividend stocks is that you don't want surprises every time you check your portfolio. You want these stocks to continue adding to your wealth slowly, which you're building for your golden years.

In Canada, **Manulife Financial** (TSX:MFC)(NYSE:MFC) is one such dividend stock that you could consider adding in your TFSA. Here is why.

The nation's largest insurer is trying to transform itself into a leaner and more efficient service provider to try to win investors' confidence and end its stock's underperformance over the past decade. For long-term investors, this is a good time to analyze this stock and see if there is any value to unlock.

Increasing dividend and share buybacks

What makes Manulife stock attractive now is that we are seeing clear signs that the company's turnaround plan is working. Last week, Manulife announced that it struck deals to offload billions of dollars in policy liabilities, allowing it to free up $1 billion in capital.

The insurer plans to use some of that cash to boost its quarterly dividend by 14% to $0.25. It also announced plans to buy back up to 40 million of its common shares — a move that will improve the company's share value.

The deals with **Jackson National Life Insurance Co.** and **RGA Reinsurance Co.**, two firms that insure the risks of other insurance companies, will re-insure $12 billion worth of Manulife's legacy U.S. liabilities as well as some of its Canadian universal life policies, the company said.

As part of its turnaround plan, Manulife has set a target to free up to $5 billion in capital over the next three years. The main pillar of this strategy is to exit some business lines that don't fit in the company's future growth initiatives.

According to some news reports, Manulife was weighing the sale of a number of U.S. insurance assets after conducting a strategic review of its U.S. operations, including its John Hancock business. Another important part of the company's new strategy was to cut its expenses by $1 billion by 2022.

Bottom line

Manulife shares, trading at $21.43 at the time of writing, are down 18% this year. That pullback is mainly the result of the market volatility and investors' nervousness about the future. Despite this weakness, I see big upside potential going forward, as the company successfully pursues its turnaround plan and free up more cash. For long-term TFSA investors, this isn't a bad time to lock in the company's 4% dividend yield.

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