



The 1 Dividend Stock Income Investors Shouldn't Ignore

Description

Power Corporation ([TSX:POW](#)) is probably the last stock most people would consider if they were interested in owning a dividend stock with a reasonably high yield and a sound balance sheet.

However, currently yielding 5.6% and trading at 8.2 times its forward earnings, Power Corporation is precisely the kind of stock income investors should consider for their portfolios.

Here are three reasons why.

It's a contrarian pick

There are 49 stocks on the TSX with a market cap greater than \$1 billion and a dividend yield of 5% or higher. Of those 49, 11 have total assets of \$25 billion or more. Power Corporation is one of them.

On the list of 11 is **Great-West Life**, one of Canada's largest insurance companies, and 67.7% owned by **Power Financial**, which in turn is 65.5% owned by Power Corporation.

If you've invested for any period, you're likely familiar with Power Corporation's holding company [dual-class share structure](#), which allows the Desmarais family to control 59% of the votes with just 21% of the actual equity.

Proponents of good corporate governance hate them.

However, I would suggest that Power Corporation is a throwback to a time when a few Canadian families controlled most of the business that went on in this country — a time when business owners looked beyond the next quarter or year, allocating capital in a judicious manner, something that's not practiced very much these days.

It's old school, and that's what I love about the company. No one is going to confuse Power Corporation for **Shopify**. And that's a good thing.

It's transforming right before our very eyes

In addition to Great-West Life, Power Financial owns 61.4% of **IGM Financial**, a Winnipeg-based wealth management company that's in the middle of a transformation that is changing the way it does business.

In October, I'd highlighted some of the actions Power Financial CEO Jeff Carney is taking to overhaul Investors Group, the "IG" in IGM Financial.

Investors Group got its start out on the prairies in 1926 investing the hard-earned savings of everyday people. Once a leader in the mutual fund business — it introduced the first mutual fund in Canada in 1950 and the well-known concept of dollar cost averaging five years later — in recent years it has become better known for high fees and little financial planning.

Carney is out to change this view of the company.

"All IGM financial advisors must obtain the certified financial planner (CFP) designation, if they want to remain with the company," I [wrote](#) October 2. "It's a move that should have happened years ago when ETFs and low-fee mutual funds first started grabbing a bigger piece of the asset management pie."

Better late than never, Power Corporation, through Power Financial, Portag3, and IGM Financial, is building a fintech investment portfolio that revolves around WealtheSimple, its 82%-owned subsidiary that provides low-cost digital investment management for Canadians and Americans.

The potential is enormous.

How much did Power Corporation invest for this potential? Approximately \$240 million to date with more to come.

A tradition of dividends

Power Corporation has paid out more than \$5 billion in dividends over the past 10 years, increasing the annual payout by 4% per annum. That might not seem like much, but when you reinvest the dividends in more shares, the returns begin to snowball.

With the June 2018 payment increase of 6.6%, Power Corporation shareholders now receive \$1.53 on an annualized basis.

You can argue all you want about the future of both IGM Financial and Great-West Lifeco, but at the end of the day, an investment in Power Corporation is going to give you the kind of income bonds won't, with the potential of an equity kicker should the initiatives it's currently working on pan out.

Worst-case scenario: Power Corporation turns out to be a fixed-income investment in disguise. If you're an income investor, POW is worth taking a closer look.

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