TFSA Investors: Sidestep Canadian Bank Stocks for This Competitive Dividend Payer

Description

One of the key investment areas when it comes to buying shares on the TSX index is financials. Alongside utilities, miners, infrastructure, and natural resources, financials are one of the key sets of stocks to buy for a mix of defensiveness and passive income.

But there's more to the financials section of the TSX index than the Big Six banks: consider insurance, asset management, commercial lenders, and other non-Bay Street players. The following stock has probably already caught your eye, but here we will investigate its fundamentals and other data to see if it's the right stock to buy now.

Sun Life Financial (TSX:SLF)(NYSE:SLF)

The signs aren't all rosy for Sun Life Financial: after all, it saw a one-year past earnings shrinkage by 19.5%. But after this, there's hardly a bad word to be said about this key non-Big Six financials stock. A five-year average earnings growth of 8.5% shows that it's a generally positive asset, while an 11.4% expected annual growth in earnings indicates progression.

Value is indicated by a decent P/E of 13.3 times earnings, and is backed up by a P/B of 1.3 times book and PEG of 1.2 times growth, showing good value for money in terms of assets and growth respectively. If you're thinking of sticking around to see that growth materialize, a low debt level of 19.2% of net worth should reassure the risk-averse that it's relatively safe to do so.

Gaining 4.41% in the last five days, this stock's share price continues to rise – good news for anyone looking to sell, while also an indication that this ticker is in demand. However, the rest of the momentum-related stats are nice and low: its beta of 0.54 indicates share price behaviour that's half the volatility of the market, while a discounted by 34% compared to its future cash flow worth should get the attention of value investors.

Does Sun Life Financial beat the competition?

Some inside buying over the last three months and a dividend yield of 4.25% may be reason enough to convince a buyer looking for investor confidence and reliable passive income to stack shares of Sun Life Financial in their portfolio: all the data points to it being a strong buy for a TFSA or RRSP, for instance.

A close competitor of Sun Life Financial, **Intact Financial** (TSX:IFC) has a similar spread of stats that are instructive to comb through if you want further indication of how good the former stock is in terms of value. Intact Financial's multiples are higher, for one thing, with a P/E of 21.3 times earnings and P/B of 2 times book. Discounted by 7% compared to its future cash flow value, you're looking at a stock that's of less interest to value investors.

The bottom line

Sun Life Financial's moderate expected growth in earnings may not be the highest on the TSX index, but it pairs well with other indicators of quality, such as a past-year ROE of 9% and EPS of $3.53. This is the strongest buy on the list of non-Big Six financials stock today, with decent valuation, a rewarding dividend yield, and good all-round health.

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vhetherington