Are These Canada's 4 Best Financial Dividend Stocks?

Description

While dividend income isn't immune from a widespread economic downturn, the following three financial stocks represent some of the best places investors can hide ahead of a potential recession. An outperforming trio of A-list dividend payers, these financials are among the most secure passive income stocks to be found on the TSX Index.

Bank of Nova Scotia (TSX:BNS)(NYSE:BNS)

One of the best of the Big Six and certainly one of the keystones of the TSX index, Scotiabank is up 0.68% in the last five days and has seen some inside buying in the last three months. A one-year past earnings growth of 6.2% and five-year average growth of 5.5% puts this banking stock with a flawless balance sheet ahead of the curve.

Valuation is still spot-on, with a P/E of 10.8 times earnings and market-weight a P/B of 1.5 times book. Passive income fans looking for a positive outlook should be pleased to see a dividend yield of 4.56% on offer backed up with a 6.4% expected annual growth in earnings.

Power Corporation of Canada (TSX:POW)

Another TSX index A-lister, Power Corporation of Canada offers a dividend yield of 5.69%, and is matched with a 29% expected annual growth in earnings. It's attractively undervalued, with a P/E of 9.9 times earnings and P/B of 0.9 times book – which shows that a financial stock can trade below its book price. With a positive five-year average past earnings growth of 5.6%, it's one of the best all-rounder financials outside the Big Six.

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

In the last three months, more shares in Sun Life Financial have been bought through insider trading than sold, which just goes to show that investors in the know are bullish on this TSX index super-stock. It's trading at an attractive price right now, and is down 1.57% in the last five days, presenting a slight value opportunity.

A five-year average past earnings growth of 8.5% is in line with the financials sector, while its dividend yield of 4.31% is a little higher than average; this is matched with a 12.8% expected annual growth in earnings. Sun Life Financial is a healthy ticker, with a debt level of 19.2% of net worth. Meanwhile, good value for money is signaled by a P/E of 13.1 times earnings and P/B of 1.3 times book.

Great-West Lifeco (TSX:GWO)

The final TSX index financial stock on today's list, Great-West Lifeco enjoyed a one-year earnings growth of 37.8%, thereby crushing the insurance industry average for the same period. Its dividend yield of 5.3% is made all the more appetizing by a 3.9% expected annual growth in earnings.

An acceptable level of debt at 25.2% of net worth comes in below the danger threshold and qualifies this stock for membership of the healthy balance sheet club. Attractive valuation is quantified by a P/E of 9.8 times earnings and P/B of 1.3 times book, both of which are below market weight.

The bottom line

An undervalued Great-West Lifeco would make a good combination with Scotiabank if the financials section of your portfolio is a little light, but you want to avoid being overexposed to any single industry. Meanwhile, Sun Life Financial and Power Corporation of Canada offer some defensive dividends if you want a solid financial stock outside of the Big Six banks.

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3. TSX:GWO (Great-West Lifeco Inc.)
4. TSX:POW (Power Corporation of Canada)
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