3 Top Financial Stocks for a TFSA That Aren't Banks

Description

Rising share prices and sturdy market caps show that there's life beyond the Big Six when it comes to financial stocks on the TSX Index. From the top tier of the insurance industry, there is something for every long-term TFSA investor in the following three picks from the "best of the rest" when it comes to Canadian financials.

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

A stalwart TSX index financials ticker just right for a tax-free savings account, Sun Life Financial's market cap of $33 billion lets you know from the get-go that your investment would be in relatively safe hands.

Up 3.23% in the last five days at the time of writing, it's a popular insurance stock, and has seen a one-year past earnings growth of 17.4% and five-year average of 7.5%.

Sun Life Financial's level of debt compared to net worth has been reduced over the past five years from 53.4% down to the current 42.4% today. Its debt is well covered by operating cash flow, which at 36.8% is more than 20% of Sun Life Financial's total debt.

A P/E of 13.2 times earnings and P/B of 1.5 times book indicate good value for money, while a dividend yield of 3.64% is on offer, with 10-year stability to back it up. Meanwhile, a 9.1% expected annual growth in earnings is close to the average outlook for a banking stock.

Power Corporation of Canada (TSX:POW)

Up 3.1% in the last five days, this is another "people's choice" financial ticker fit for a TFSA. Power Corporation of Canada's returns of 10.6% beat the Canadian insurance industry average of 2.7% for the past 12-month period, though its track record in terms of earnings is somewhat anemic with a one-year past growth of 0.1% and five-year average growth of 3%.

In terms of quality, Power Corporation of Canada's past-year ROE of 9% leaves something to be desired, while a debt level of 46.8% signifies an adequate balance sheet, and is well covered by operating cash flow.

A P/E of 11.8 times earnings and P/B of 1.1 times book show that value investors have a winner on their hands, while a dividend yield of 4.69% means that Power Corporation of Canada is suitable for a passive income portfolio. A 31.9% expected annual growth in earnings makes for another solid reason to buy and hold.

Industrial Alliance Insurance and Financial Services (TSX:IAG)

Up 4.73% in the last five days, Industrial Alliance Insurance and Financial Services is the top stock on this list in terms of upward momentum. It's a solid ticker, just right for adding to a TFSA, with one- and five-year past earnings growth rates of 19% and10.8% respectively.

Though its past-year ROE of 11% could be better, its value-related stats are spot-on, as indicated by a P/E of 9.6 times earnings and P/B of 1.1 times book.

Industrial Alliance Insurance and Financial Services' level of debt compared to net worth has gone up a little over the past five years, and while it's below the danger threshold at 38.4%, it's not well covered by operating cash flow. However, it pays a dividend yield of 3.07%, and as with the previous stocks, payments have been stable and have increased over the past decade.

The bottom line

Power Corporation of Canada's payments have both grown and remained stable for the last ten years, making it a worthy alternative to a big banker for your TFSA. Meanwhile, though Industrial Alliance Insurance and Financial Services is looking at a lower 5.6% expected annual growth in earnings, its decent all-round stats also give the Big Six a run for their money.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing
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TICKERS GLOBAL

1. TSX:IAG (iA Financial Corporation Inc.)
2. TSX:POW (Power Corporation of Canada)
3. TSX:SLF (Sun Life Financial Inc.)

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