# An Overlooked Dividend Stock Yielding 5.2% to Buy Now and Hold for Decades

## Description

Forget about U.S. stocks for a moment. The Canadian dollar is absurdly weak relative to the greenback, so unless you want to feel the pain of making the swap, you may want to focus on some of the top value plays on this side of the border.



There are plenty of bargains on this side of the border, possibly even more than on U.S. exchanges, as the investors have lost confidence in Canada as a place to put money to work over the last few years. Indeed, the **TSX** index is chock-full of value versus the **NYSE** and **NASDAQ**, which are perceived as "sexier" places to invest due to their abundance of growthier names.

Should the market volatility continue into the latter part of the year, we'll probably see a more significant flow of cash from growth to value stocks, and if you're invested in Canada's battered bargains, you'll likely feel less pain versus the U.S. indices on the next walloping.

Your goal is to grow your wealth over time, not to jump in and out of the markets based on what the so-called pundits are thinking Donald Trump or Jerome Powell will end up doing over the short term.

So, if you're ready to tune out the noise and put your money to work, consider **Great-West Lifeco** (TSX:GWO), a battered bargain with a vibrant 5.2% dividend yield and a valuation that implies a considerable margin of safety.

The macro environment hasn't been kind to the financials of late. The rising interest rate environment could soon turn into a static or falling rate environment as the Canadian economy continues to feel the effects of lower WCS prices and the impact from the U.S.-China trade spat. That's a double whammy for Great-West and its Canadian insurance peers.

Fortunately, Great-West has a relatively decent track record for moving through challenging economic environments without taking on too much damage. While it's definitely been a tough past few years for the insurer, many investors forget that Great-West was one of the non-bank financials that held up quite well during the Financial Crisis.

Sure, the peak-to-trough drop of the Great Recession was violent, but shares were relatively quick to recover thanks to the firm's more conservative approach, which has kept the company out of big trouble.

To this day, Great-West is still a fairly conservative player in the space, and although the firm's Asia-exposed peers may have superior long-term growth profiles, I prefer Great-West's European businesses at this juncture, as the escalating trade war could send bigger shock waves across Asia, thereby negatively impacting the insurers who are so reliant on Asia for growth.

At the time of writing, Great-West trades at 10.3 times next year's expected earnings, 1.4 book, and 0.6 times sales, all of which are lower than the five-year historical average multiples of 13.3, 1.4, and 0.6, respectively. The dividend yield is also a full percent higher than the historical average yield of 4.2%. That's ridiculously cheap; Great-West's management team realizes this, which is why the firm announced an issuer bid to repurchase up to $2 billion worth of common shares.

Great-West is a well-run, conservative insurer trading at a slight discount to its intrinsic value. While there are certainly cheaper options in the insurance space at this juncture, the 5.2% yield is well worth the price of admission if significant dividend income is what you seek.

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**Date**
2025/07/08
**Date Created**
2019/05/31
**Author**
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