2 Insurance Stocks to Protect Your Retirement

Description

Investors interested in protecting retirement savings from inflation should consider insurance stocks on the Toronto Stock Exchange. On average, insurance stocks yielded a total return of 28% last year, including dividends and capital gains. The insurance industry should continue to do well next year given consistent interest rate guidance from the Bank of Canada (BoC), resulting in higher returns for institutional investors.

Two top TSX insurance stocks in particular are shaking up the industry: **Power Corporation of Canada** (TSX:POW) and **Manulife Financial** (TSX:MFC)(NYSE:MFC).

Power Corporation of Canada

Power Corporation of Canada is a diversified holding company with international investments in insurance, financial services, and sustainable and renewable energy throughout North America, Europe, and Asia. In the insurance sector, Power boasts recognizable life insurance assets such as **Great-West Lifeco**, London Life Insurance Company, and Irish Life Group Limited.

Moreover, in addition to recent international acquisitions in the U.K., the company plans to expand existing businesses to emerging growth opportunities. Thus, shareholders can expect exciting news from Power within the next few years, as the company expands its geographical reach to countries with increasing aging populations such as Germany and Spain.

Conservative investors should appreciate the predictable returns of a diversified holding company like Power; the company has reliably increased dividends each year and maintained net earnings at around $2.77 per share. Last year, Power gave investors capital gains of 14.86% along with a dividend yield of 5.74% for an effective return of 20.57%.

Manulife Financial

Manulife Financial began as an act of parliament in the year 1887 and quickly became an international success. Today, the company operates the largest life insurance company in Canada and the United States. While other companies struggle to profit from Asian markets, Manulife has increased core earnings from Asia through digitization and behavioural insurance strategies.

Manulife is a company that certainly knows its customers and understands the importance of leveraging technology to innovate customer experiences. These enhancements are more than a customer service strategy; digitization also led to an improvement in the company's expense efficiency ratio to 49.9%. An efficiency ratio is the percentage of expenses for each dollar of revenue.

Value investors will appreciate Manulife for its diversified portfolio of financial products, including college savings plans, high dividends, and above-average market performance. Last year, Manulife returned 26.83% to shareholders in the form of capital gains and a 4.06% dividend yield for a total return of 29.97%. Even better: the stock remains underpriced with earnings making up 10% of the share price — higher than the industry average of 7.6%.

The insurance industry is heating up

The insurance industry is heating up in a favourable macroeconomic environment, and these two giants offer the most value in terms of earnings per share. Low interest rates boost the value of significant investments in an insurer's portfolio like stocks and higher interest rate bonds. More importantly, the predictability of the BoC's interest rate decisions enables institutional investors to adjust investment portfolios efficiently.

As global trade tensions soak other investments in risk, savvy investors should consider these insurance stocks smart value investments.

CATEGORY

1. Investing
2. Top TSX Stocks

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:MFC (Manulife Financial Corporation)
3. TSX:POW (Power Corporation of Canada)

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