



## Revealed: These 3 Financial Stocks Have Mammoth-Sized Dividends

### Description

The financial sector continues to be one of my favourite industries to invest in. There's just so much to like about it.

First off, there's no avoiding the industry. If you're serious about keeping your money safe, obtaining a mortgage, or investing your capital over the long term, you're a user of the system. That already checks off about 85% of the population.

These obvious advantages of having an advanced financial services industry translate into increased wealth over the long term for Canadians. This means governments will always support the sector, albeit cautiously at times. After all, the government must ensure citizens don't get ripped off by outrageous fees.

From an investor's standpoint, they should like the sector for two reasons. First of all, financial services is a good business. Companies in the sector have nice profit margins and good growth. Secondly, much of those profits goes back to shareholders in the form of generous dividends.

Now I've got your attention.

Let's take a look at some of Canada's best dividends from the financial sector — companies paying out yields of +5%.

### IGM Financial

**IGM Financial** ([TSX:IGM](#)), the owner of Investors Group and Mackenzie Financial, has been a favourite whipping boy for years now, as analysts tell investors it's only a matter of time until folks abandon IGM's high-fee funds in exchange for cheaper exchange-traded funds.

There is no doubt this trend is happening, but IGM is fighting it in a few interesting ways. The company is switching its focus from selling mutual funds to getting Investors Group advisors to offer more financial planning services. It has cut fees to most of its top funds and will likely continue to do so. It

has also taken a large stake in China's largest wealth manager, a company with tons of long-term growth potential. Finally, it made an investment in Personal Capital, a digital wealth advisor for customers in the United States.

I'm not exactly sure if these moves will pay off over the long term, but in the meantime, the company will keep slowly growing assets under management. It also pays a generous 6.4% dividend — a payout that is easily covered by earnings.

## First National Financial

I'm a big fan of **First National Financial** ([TSX:FN](#)) and its [long-term growth plans](#).

First National has quietly become a major player in the Canadian mortgage market, rising to be Canada's sixth-largest lender with total mortgages under administration of \$110 billion. It does this by being one of the top lenders with the mortgage broker channel — an avenue I see more Canadian borrowers using over the long term.

The company keeps putting up solid results, despite the rest of the mortgage market softening, which is a good demonstration of its appeal to customers. Mortgages under administration increased 6% on a year-over-year basis in its most recent quarter, while revenue popped 15%. Those are solid numbers.

In the meantime, investors are treated to a 5.5% dividend — a payout that has crept up slowly over time. And remember, First National has given investors [special dividends](#) in 2017 and 2018, too. Will another come in 2019?

## Power Financial

**Power Financial** (TSX:PWF) is a holding company that has stakes in **Great-West Lifeco**, the previously mentioned IGM Financial, and various other assets. Investors should note the Great-West Life stake is the biggest, while the other positions are much smaller.

Power Financial typically trades at a discount to its parts, and today is no exception. It has a market cap of just over \$18.5 billion. Its Great-West Lifeco position is worth more than \$17 billion alone. Investors are essentially getting the rest of the company for free.

One reason why Power Financial has become a popular stock with Canadian retail investors is because of its generous dividend. The stock currently yields an impressive 6.6%, thanks to the generous dividends it receives from its underlying holdings as well as the discount in the sum of its parts. The company has also been delivering solid dividend growth lately; it has hiked the payout each year since 2014.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:GWO (Great-West Lifeco Inc.)
3. TSX:IGM (IGM Financial Inc.)

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