



2 TSX Insurance Stocks to Buy in 2022 for Income

Description

Persistently high inflation of above 5% prompted the Bank of Canada to raise the policy interest rate recently, from 0.25% to 0.50%. With more hikes planned along the way, the returns of stocks and bonds could be facing strong headwinds.

With the market expected to trade more or less sideways for the foreseeable future, some investors have pivoted their portfolios to a high-yield strategy using income-paying [dividend stocks](#). Luckily for them, the TSX is full of these stocks, especially in the insurance sector.

The insurance [sector](#) has historically shown improved profitability in a rising interest rate environment. The greater the rate hikes, the greater the growth, with increases in price-to-earnings ratios and margins. This could make it an outperformer in the prevailing market conditions.

Manulife

Manulife Financial Corp ([TSX:MFC](#))([NYSE:MFC](#)) is one of Canada's largest financial service firms, providing insurance, wealth, and asset management solutions to individuals and corporate clients worldwide. [Valuation](#) wise, MFC has a market cap of \$50 billion, forward price-to-earnings of 7.32, and price-to-book of 0.99.

From a dividend perspective, MFC has a high yield of 5.25% and a sustainable payout ratio of 33%, currently paying out \$1.32 per share. The five-year average dividend yield stands at 4.25%. MFC's latest ex-dividend date was February 22, 2022, and that dividend will be paid out on March 21, 2022.

SunLife

Sun Life Financial Inc ([TSX:SLF](#))([NYSE:SLF](#)) is the runner-up to MFC, with a smaller [market cap](#) of \$38 billion. SLF provides the same products as MFC does, such as term and permanent life insurance, as well as personal health, dental, critical illness, long-term care, and disability insurance products.

From a dividend perspective, SLF has a decent yield of 3.99% and a sustainable payout ratio of 33%, currently paying out \$2.64 per share. The five-year average dividend yield stands at 3.65%. SLF's latest ex-dividend date was March 1, 2022, and that dividend will be paid out on March 31, 2022.

The Foolish takeaway

A combination of healthy dividend yields and history of consistent payout increases makes Canada's insurance stocks an excellent defensive play, especially when the rest of the market is trading more or less sideways. Avoiding high-valuation growth stocks to buy MFC and SLF instead might keep your portfolio in the green.

Buying MFC and SLF now could be a great way to lock in a low yield on cost, as their current valuations are quite attractive. The rising rate environment could cause that to increase, giving you a nice return on your shares. Reinvesting and compounding the dividends consistently will enhance your gains even more.

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2. Stocks for Beginners

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