



Get Passive Income: Sun Life or Manulife Stock?

Description

Sun Life ([TSX:SLF](#))([NYSE:SLF](#)) stock provides a decent yield of 3.8%. **Manulife** ([TSX:MFC](#))([NYSE:MFC](#)) stock offers an even juicier yield of 4.9%.

On the surface, it would appear Manulife stock is a better choice for higher passive income today. However, investors should not disregard the risk taken or long-term total returns potential in their search for passive income.

The darling dividend stock

It doesn't take a genius to figure out that Sun Life stock has been the darling. In the last 10 years, it delivered total returns at a compound annual growth rate of about 13.5%. That turned an initial investment of \$10,000 into approximately \$35,516. In the same period, the same investment in MFC stock transformed into about \$26,414, or returns of roughly 10.2% per year. This is not a bad return, as it compares with the average long-term market return of 7-10%.

Today's valuation

As the insurance stock with the darling status, it's not surprising that Sun Life stock trades at a higher valuation of about 11.2 times earnings versus Manulife stock's price-to-earnings ratio (P/E) of 8.1. Sun Life trades at a premium valuation. However, it's not expensive.

Compared to its long-term normal P/E of about 11.8, Sun Life stock is fairly valued. Assuming a long-term growth rate of 6-8% per year, it would still be a good long-term investment for passive income. Its long-term rate of return would be around 11%.

Analysts believe Manulife's earnings per share can grow 8-10% per year, which would translate to total returns potential of about 14% per year over the next five years. With valuation expansion potential, total returns can reach close to 20% per year for an investment over the next five years.

What analysts think

Here are some recent comments from pundits.

Sun Life was one of Michael Sprung's top picks on *BNN* last month:

"Sun Life has very strong financials and management team. A rising interest rate environment will benefit the company. It's able to consistently grow earnings above the 8-10% goal. A catalyst to increase share price might come from improved USA operations. We're expecting dividend increases in the future."

Michael Sprung, president of Sprung Investment Management

Ross Healy also thinks Sun Life is a buy but leans more towards Manulife.

"Manulife is cheaper and has a better yield. Rising rates are good for insurance companies broadly, and MFC in particular. Its long-term chart shows it has traded higher under normal interest rates conditions. We have a mild preference for MFC."

Ross Healy, chairman of the Strategic Analysis Corporation, and portfolio manager at MacNicol & Associates Asset Management

As Sun Life is the darling, comments on Manulife are usually less positive.

"There's a pocket of value in the sector. Life insurance is the cheapest in the group. Lifecost definitely have room for multiple expansion and earnings growth. Our preferred name is **Great-West Lifeco** with a more mature M&A market focus. MFC is more focused on emerging markets."

Chris Blumas, portfolio manager at Raymond James Investment Counsel

"MFC stock has been a stellar performance in the last six months with strong dividend growth in the past year. But slower economic activity in Asia is a headwind. Take profits or sell, then re-enter in the summer on a 10-15% pullback. I like the dividend."

Andrew Pyle, investment advisor and portfolio manager at CIBC Wood Gundy

Both [dividend stocks](#) seem to provide safe dividends and can grow their earnings and dividends over the next few years. Given SLF stock's persistent price appreciation, it appears to exhibit lower risk from the standpoint of earnings stability. For taking on greater risks, buyers of Manulife get to enjoy a bigger [passive](#) income immediately. Which will you buy for passive income?

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)

2. TSX:MFC (Manulife Financial Corporation)
3. TSX:SLF (Sun Life Financial Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
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PP NOTIFY USER

1. kayng
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Date

2025/07/19

Date Created

2022/04/18

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