



2 Top TSX Financial Stocks to Buy for a Retirement Fund During the Market Correction

Description

Canadian investors who missed the big rally over the past two years are finally getting a chance to buy cheap stocks for a self-directed [TFSA or RRSP](#) pension fund. The [market correction](#) has hit the financial sector particularly hard, bringing valuations back to attractive levels.

Sun Life Financial

Sun Life ([TSX:SLF](#))([NYSE:SLF](#)) trades near \$57.50 per share at the time of writing compared to the 2022 high around \$74. The pullback in the share price appears overdone, and investors can pick up a solid 4.8% dividend yield at the current level.

Sun Life raised the dividend by 20% late last year and recently increased the payout by another 4.5% when it announced the Q1 2022 results.

Sun Life operates insurance, wealth management, and asset management businesses in Canada, the United States, and Asia. Underlying net income slipped to \$843 million in Q1 from \$850 million in the first quarter of last year. The Omicron surge in Canada, the United States and Asia resulted in higher morbidity and mortality claims.

Covid impacts should decrease through the rest of 2022, but Q2 results might be hit by the drop in equity markets. That being said, at 8.9 times trailing 12-month earnings the stock looks cheap. Investors might want to take a half position now and look to add to the holding on any additional weakness.

Royal Bank

Royal Bank ([TSX:RY](#))([NYSE:RY](#)) is Canada's largest financial institution and one of the top 10 banks in the world by market capitalization.

The business made it through the pandemic in good shape and the bank is off to a solid start in 2022. Royal Bank built up a war chest of excess cash over the past two years and is now deploying the funds to reward investors and drive future growth. Royal Bank raised the dividend by 11% late last year and recently bumped it up another 7%. The bank is also buying a wealth management business in the U.K. for \$2.6 billion.

Royal Bank continues to invest in digital upgrades to ensure it remains competitive in a rapidly changing environment where people are increasingly making financial transactions through mobile devices.

The stock trades near \$124.50 at the time of writing compared to nearly \$150 in January. Additional downside could be on the way as the market tries to figure out how deep a potential recession might be and how large a hit the Canadian housing market will take as mortgage costs soar and home prices drop.

A good chunk of the uncertainty, however, is probably baked into the current share price. Royal Bank remains very profitable and the dividend yield is now a decent 4.1%.

The bottom line on top financial stocks

Sun Life and Royal Bank look undervalued at current prices and pay attractive and growing dividends. Ongoing volatility should be expected, but the pullback appears overdone. If you are searching for top financial stocks to buy for a self-directed TFSA or RRSP focused on long-term total returns, these stocks deserve to be on your radar.

CATEGORY

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3. TSX:SLF (Sun Life Financial Inc.)

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