



Beyond the Big 5 Banks: 2 Financial Stocks to Buy for Beefy Dividends

Description

The Big Five banks tend to be terrific buys, as they slide in anticipation of a global recession. Though loan losses tend to weigh down profitability prospects, the Canadian banks always find ways to land on their feet, even during the Great Financial Crisis of 2008. Canada's top banks are incredibly well capitalized and well managed. Ahead of a potential 2023 recession, the Big Five banks look ready to move through a bit of a hailstorm, with provisions set aside for expected losses.

Undoubtedly, the Canadian bank stocks have slid into bear market territory in the first half of 2022. Nobody knows if this is just the start of something worse or an overreaction to a year that may not be as horrid as [investors](#) are expecting. On the plus side, rising interest rates will pad the margins of deposit-heavy banks. It's easy to look past such a longer-lived, albeit mild boost when a potential uptick in PCLs (provisions for credit losses) looms.

Beyond the Big Five banks: Hunting down cheap dividends on the TSX

In any case, the Canadian banks are well positioned to continue paying their generous dividends, even if the Federal Reserve sends us into a rocky landing that sees market averages extend beyond their current multi-year lows.

Nobody knows when the bear market ends or what "shape" the recovery will be. Regardless, Canadian investors know that they can continue to collect quarterly dividend payments from the big banks. Further, their swollen yields are more than worth catching falling knives all the way down, even if there's nothing to feel hopeful for.

In this piece, we'll have a look at two financial stocks with durable dividends that are just as impressive as the Big Five banks. It's these names that may actually be cheaper than the Big Five bank stocks, which tend to be the go-to plays for dip buyers.

National Bank of Canada

National Bank of Canada ([TSX:NA](#)) is the nation's sixth-largest bank. It's a \$29.2 billion bank that's shown it's more than capable of being owned alongside the Big Five. Given its resilience through the 2020 coronavirus recession, it's arguable that Canada's big banks ought to be referred to as the Big Six.

At writing, shares of NA sport a 4.3% dividend yield alongside a depressed 8.8 times trailing price-to-earnings (P/E) multiple. That's well below the 9.3 times trailing P/E financial services industry average. I'd argue that National Bank deserves to trade at a more in line multiple, given its strong managers and the fact that it's beaten on EPS (earnings per share) for three straight quarters.

With National Bank potentially in the running to acquire HSBC's Canadian subsidiary, National Bank may be in a spot to close the gap with its bigger brothers. Only time will tell if National Bank is open to paying a "hefty" valuation. Regardless, I view the bank as an underdog that's worth a bet at these depths.

IA Financial

IA Financial ([TSX:IAG](#)) is a Canadian insurer and wealth manager that's in the middle of staging a rebound from a 27% drop from its highs. Now off around 12% from the top, IA Financial seems like a compelling financial to buy if you seek the perfect mix of stability and income (there's a juicy 3.66% dividend yield).

At 1.1 times price to book and 10 times trailing P/E, IAG stock is an underrated financial that doesn't get as much respect as it deserves. Looking ahead, management sees core EPS growing an average of around 10% via organic initiatives. Such bottom-line growth is sure to translate into solid dividend growth.

IA doesn't have the massive payout like the Big Five banks. But it's still a worthy financial pick to scoop up if you're a fan of [low-cost](#) dividend payers with promising growth prospects.

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