3 Non-Bank Financial Stocks for Canadian Dividend Investors

Description

Canadian dividend investors are certainly familiar with the Big Five banks. These banks not only act as the cornerstone of the Canadian economy but also as the cornerstone of the portfolios of many Canadian dividend investors. Given their prominence, you would be easily forgiven for assuming that these were the only five Canadian financial stocks worthy of your consideration. However, this is far from true. Canada's insurance industry is also very well developed and effectively competes on a global scale. Three Canadian insurance companies that would be suitable candidates to round out the financial sector exposure of any dividend portfolio are: **Intact Financial** (TSX:IFC), **Manulife Financial** (TSX:MFC)(NYSE:MFC), and **Sun Life Financial** (TSX:SLF)(NYSE:SLF).

Intact Financial

Intact is the largest provider of property and casualty (P&C) insurance in Canada and primarily operates in North America. The company is the leading player in the Canadian auto insurance industry, operating both its flagship Intact Insurance brand and discount brand belairdirect. Intact has the lowest dividend yield of the group at approximately 2.5%. However, as is often the case, this lower yield comes with a relatively high rate of growth. Intact has managed to grow its dividend at a rate of approximately 10% per year. This has allowed it to raise its dividend over 140% in the past decade.

Intact's share price has enjoyed quite the run as well. In the past decade, Intact's share price has risen over 180%. This makes it a better-performing stock than not only Manulife and Sun Life but also any of the Big Five banks over the past decade.

This makes Intact ideal for dividend-growth investors who also value capital appreciation.

Manulife Financial

Manulife is the largest of these three companies by market cap, carrying a valuation of over $30 billion. Outside Canada, Manulife has a presence in the United States (where it primarily operates as John Hancock), Europe, and Asia. The company also offers wealth and asset management services as well as financial advice for individuals, groups, and institutions.

Manulife offers a better dividend yield than Intact or Sun Life. The current yield is just over 6%, and the company recently raised the dividend by 12% in February this year. Manulife's dividend remained frozen after the financial crisis until 2014, unlike Intact, which maintained regular annual increases during this time. While Manulife's recent dividend-growth streak has been impressive, it has been less consistent than Intact's. Unfortunately, Manulife's share price has been a laggard. The company's share price is actually down almost 5% in the past decade.

Therefore, Manulife is ideal for those seeking current yield with potential dividend raises but who are content with minimal capital appreciation.

Sun Life Financial

Sun Life is perhaps the most diverse of these three insurance companies in terms of business lines. The company offers financial advice and planning, insurance, saving and investments, pension and benefit solutions, and health programs. The company operates in 11 countries outside Canada, with a large Asian presence.

Sun Life offers a current yield well over 4% and has increased the dividend just over 50% in the past 10 years. This results in an annualized dividend growth rate of just over 4%. This still beats inflation but is nothing spectacular. Like Manulife, Sun Life's dividend remained frozen for some time after the financial crisis, although neither company cut their dividend. Sun Life's share price has grown just under 60% in the past decade, which is more than Manulife and less than Intact. Sun Life's profile is the one that is most similar to the Big Five, with a dividend yield, growth rate, and stock price history that most closely resembles the Big Five.

For these reasons, Sun Life is ideal for those seeking a well-diversified insurance company with solid dividend prospects, but also moderate capital appreciation.

Takeaway

Canada's financial sector is much more diverse than just the Big Five banks. Canada's insurance industry is strong, competes globally, and has many companies that are worthy of a spot in dividend portfolios. Intact, Manulife, and Sun Life all offer dividend investors considerable dividend opportunities, in some cases, with better growth prospects than any of the Big Five banks.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. insurance

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:IFC (Intact Financial Corporation)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

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