Revealed: Canada’s Oldest Dividend-Paying Stock

Description

For over a century shareholders have been able to count on a steady stream of dividend cheques from this company.

Since 1829, almost four decades before Canadian confederation, this stock has never skipped a distribution payment to investors. And if history is any guide, shareholders will be able to count on those distribution payments for another century to come.

Think of everything that has happened over that time… wars… depressions… asset bubbles… financial crises… and so on. Yet the stock I’m about to show you coasted through every economic downturn the country has ever faced without skipping a single payment to its shareholders. In fact, through many of these tumultuous periods the firm was actually able to increase its payout.

Is this Canada’s safest dividend?

I’m talking, of course, about the **Bank of Montreal** (TSX: BMO)(NYSE: BMO). The company hasn’t missed a dividend payment in 185 years, the longest consecutive payment streak of any public Canadian company. How has it been able to pull this off?

Canada’s banking system is almost perfect from an investor’s perspective. The Federal government keeps a close eye on the industry, posting strict limits on capital reserves, foreign ownership, and mortgage lending. Moreover, six big banks dominate the industry, accounting for more than 80% of the nation’s banking deposits. This gives them a scale advantage that makes it unlikely that new entrants that could hamper profits.

In addition, the banking culture in this country has always erred to the conservative. Nowhere was this cautious approach to risk more apparent than during the financial crisis when toxic credit products wrecked havoc on Wall Street and London during the financial crisis but left Bay Street relatively unscathed. Investors used to complain that Canadian banks were too stodgy, but that ended up being an advantage.

These conditions have allowed Bank of Montreal to earn big returns for shareholders decade after decade. Over the past five years, the bank has generated a 13.5% average return on equity, levels that their foreign counterparts could only dream of. For example in the United States, returns at the nation's top banks are hovering at around 7%. In Europe, many players are struggling to maintain profitability.

That's why when you keep a stock like this in your portfolio, you don't have to worry much about wars, recessions, or interest rates. As history shows, you just simply let their steady dividend payments roll in.

And while the company's dividend is steady, that doesn't mean the stock can't be counted on to deliver some serious capital gains. Over the past five years BMO has handily beaten the market delivering a 120% return, excluding dividends — significantly higher than the 60% return for the **S&P/TSX Composite Index** (TSX: ^OSPTX) over the same period.

Foolish bottom line

Of course, there are no sure things in the stock market. However, it's firms like BMO — companies that dominate their respective industries, enjoy a sustainable competitive advantage, and regularly reward shareholders through dividends and buybacks — that outperform over the long haul. These are exactly the type of stocks that serve as a solid core for any income portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
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