

## Bank of Montreal: This Company Hasn't Missed a Dividend Since 1829

### Description

What do companies like **IBM**, **Procter & Gamble**, and **Coca Cola** all have in common?

They have all survived some of the biggest economic upheavals over the past century. While thousands of companies have come and gone within the past 100 years, these select businesses have managed to survive and prosper.

Think about everything that has happened over that time... wars... depressions... asset bubbles... financial crises... and so on. Yet these companies coasted through dozens of business downturns while generating an enormous amount of wealth of their shareholders.

How have these companies been able to pull this off? It's simple: they all belong to a select group of businesses that I like to call my 'Forever Stocks'.

As I wrote about in a couple of pieces last week ([here](#) and [here](#)), Forever Stocks are companies that have rewarded shareholders for generations. These businesses nearly all sport impenetrable economic moats and durable brand names. Because of their inherent competitive advantages, these companies have been able to post market-beating returns over decades and centuries.

In all of my years investing, I have found that it's not the junior mining companies or exotic technology startups that make investors the most money. Rather, the best stocks are often household names whose businesses you patronize every day.

Now as you might expect, such companies are rare. Of the thousands of publicly traded stocks in North America, I can think of only 15, maybe 20, companies that could possibly be included in this group.

The company I'm showcasing today is the oldest dividend stock in Canada. In fact, this firm has managed to pay a distribution to shareholders every year since 1829 — almost three decades before Canadian Confederation. I'm talking, of course, about the **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)).

Bank of Montreal's status as a Forever Stock is based on a few key points...

First, Canada's banking system is almost perfect from an investor's perspective. The country's six big banks account for more than 80% of the nation's deposits. This gives established firms such size and scale that it's almost impossible for new competitors to enter the industry.

And while Canadians love to complain about their banks, they tend to be remarkably loyal customers. Switching between financial institutions is a cumbersome process. As a result, most consumers tend to stick with the same bank for years, even if better alternatives exist.

These conditions have allowed Bank of Montreal to earn excess returns for shareholders decade after

decade. Over the past five years, the company has generated a 13.2% average annual return on equity. These are profits foreign competitors could only dream of.

Second, Bank of Montreal's banking culture has always been conservative. Investors used to complain that the company was too stodgy. But after the financial crisis wrecked havoc on the more aggressive financial institutions of New York and London, investors realized that these risk-averse practices were really a strength.

Of course, the real test of a Forever Stock is how it fares during times of war, recession or uncertainty. That said, Bank of Montreal managed to maintain its dividend during through the worst of the economic crisis in 2008 and 2009. And over the past decade, the company has increased its payout by 77%.

There are no sure things in the stock market. But if history is any guide, Bank of Montreal should continue cranking out dividends to shareholders for decades and centuries to come. That's why it deserves a core position in any income portfolio.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

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