



2 Stocks With Decades of Growth Potential for the Young Investor

Description

One of the best pieces of advice when investing is to start early and invest for the long term. This means that instead of desperately searching for a 10-bagger, young investors should focus on strong companies with a long track record of increasing shareholder value.

This is exactly what **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)) and **Potash Corp./Saskatchewan** (TSX: POT)(NYSE: POT) offer. They pay a steady dividend, operate in industries with plenty of potential, and possess high barriers to entry.

Let me explain why I think that both belong in every young investor's portfolio.

Healthy dividend

Even with the market at an all-time high, both companies currently have a dividend yield of more than 3.5%. This is great income when you compare it to the 2.19% that you get for holding on to a 10-year Canadian government bond.

Neither has missed a dividend payment in the last 10 years and, in Bank of Montreal's case, it hasn't missed a payment since 1829! Imagine that just in the last 100 years, we had two World Wars and two market crashes — one of which brought on a worldwide depression — yet Bank of Montreal still paid its shareholders their due sum every three months.

This is the kind of track record young investors want in their portfolio.

Potash Corp. is not as old as Bank of Montreal, but it has faced challenges in recent years — specifically, the collapse of the Eastern Europe cartel in the summer of 2012, which brought potash prices down dramatically. Rather than cut the dividend and make long-term shareholders pay, management got to work to reorganise the company's cost structure in order to maintain profitability and secure the dividend.

It is easy for a management team to claim the importance of the dividend payment, but it speaks volumes about its intent when it keeps paying during times of hardship. Like the saying goes, "Actions

speak louder than words.”

A bright and secure future ahead

Both companies operate industries that won't disappear anytime soon. Indeed, banking will become more and more essential, with the rise of the emerging market middle class, and potash remains a necessity in order to feed the world's growing population on limited land.

There are also significant barriers to entry in these industries. Bank of Montreal, for example, is one of the few charter banks allowed to operate in Canada, and there is no indication that the federal government will allow any competitor to enter the market anytime soon.

Potash Corp.'s barriers to entry lie in the economies of scale that the company generates thanks to its size. As of 2013, its operations represented 15% of the global production of potash fertilizer. Such a size represents a distinct advantage and helps the company prevent smaller players from entering the market.

It might sound silly, but regardless of what happens techwise, we will still need a safe place to keep our money as well as food on our tables.

Adopt a long-term vision

Neither company is exciting, and looking at their stock price on a daily basis will be as entertaining as watching grass grow. Fast-forward 10 years, though, and you'll see firsthand the benefit of starting early with robust companies that pay steady dividends. Now, imagine owning five or 10 of those great companies in your portfolio.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

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

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