



1 Dividend Stock to Buy and Forget: Bank of Montreal

Description

In 1817, Karl Drais invented his dandy horse, the earliest form of the bicycle. That same year, England and the U.S. signed the Rush-Bagot Treaty, limiting the number of battleships on the Great Lakes to eight. And Sir Alexander Galt, the father of Canadian Confederation, was born.

It was also the year the **Bank of Montreal** ([TSX: BMO](#))([NYSE: BMO](#)) opened its doors. On June 23, 1817, John Richardson and eight merchants established the bank in an old rented house. And the company has been rewarding shareholders ever since.

This 197-year-old Forever Stock is crushing the market

As regular readers know, I'm a big fan of a group of companies I like to call my 'Forever Stocks'.

Put simply, these are businesses that you could literally buy and hold for the rest of your life. Thanks to their inherent competitive advantages, these companies have been delivering dividends to shareholders, not just for years or decades, but generations.

When you own stocks like these, you no longer have to worry about recessions or stock market crashes. If history is any guide, these firms will continue to crank out profits for centuries to come. My advice: buy them... hold them... and let these stocks make you rich.

The Bank of Montreal is the perfect example of a Forever Stock. The company has cut a distribution cheque to shareholders every year since 1829, almost three decades before Canadian Confederation. That's the longest payout of any publicly traded stock in North America.

The company's status as a Forever Stock comes down to a few key points. First, the Bank of Montreal has a proven ability to hold up in times of uncertainty. Over its 197 year history, the bank has survived two world wars, the Great Depression, and countless financial crises. Back then women couldn't vote, cars had yet to be invented, and air travel was in the realm of science fiction.

Yet the Bank of Montreal breezed through all of this turmoil without so much as a hiccup in the dividend payment. Even through the worst of the financial crisis in 2008, the company never cut or

lowered its payout. And over the past decade, the bank has even hiked its distribution 75%.

Second, this firm has the one trait I look for in every business: a big, wide moat. In the same way moats protected castles from attackers, a moat protects the company from competition. And the Bank of Montreal has surrounded its business with a moat a mile wide filled with angry mutant sharks.

Unlike most industries, the financial business is not subject to cutthroat price wars. Because moving accounts is a hassle, most customers bank at the same institution as their parents. That explains how the company has been able to crank out such consistent, oversized profits.

Finally, it's almost impossible for new rivals to enter the business. The country's six big banks account for more than 80% of the nation's deposits. This gives established firms such enormous scale, it's almost impossible for smaller players to compete.

It's hard to appreciate this advantage until you try to enter the industry yourself. Unless you're Warren Buffett or Bill Gates, it's unlikely you could even make a dent in the Canadian banking sector.

The one dividend stock to buy and hold forever

It might seem odd to open this story with tidbits from the 19th century. But when you're talking about a Forever Stock like the Bank of Montreal, these are the timelines you're operating in. While nothing is assured, this company should keep delivering impressive returns through good times and bad.

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