



## A Dividend-Growth Stock to Earn Steady Retirement Income

### Description

When you start building a portfolio for your [retirement income](#), you should pick dividend-growth stocks with solid track records of rewarding their investors.

Usually, companies with strong earning potential, leading market positions, and increasing free cash flows are the ones that reward their investors regularly.

To earn a steadily growing income, buying dividend-paying stocks should be the key part of your investing strategy. You don't want too much volatility and negative surprises in your portfolio. You're in for a long haul, and you're not looking for quick gains.

Pick solid dividend-growth stocks that provide a steady income stream with some potential for capital growth. With this theme in mind, I have picked **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) today to analyze if this top bank is suitable for your retirement portfolio. Let's find out.

### Dividend history

Canadian banks are known for their generous policies of paying dividends. On average, Canada's top five lenders distribute between 40% and 50% of their income in payouts each year.

BMO has sent dividend cheques to investors every single year since 1829 — one of the longest streaks of consecutive dividends in North America. In December last year, investors got a 6% hike in payout, and there is a good chance that the lender will announce more increases this year.

With a dividend yield of ~3.80%, BMO pays a \$0.93-a-share quarterly dividend. This payout has increased with an ~8% compound annual growth rate with a manageable payout ratio of 50%.

The other benefit of investing in BMO is that it has a [diversified franchise](#) with a solid presence in commercial banking, retail banking, wealth management, and capital markets. The company also maintains a strong presence in the U.S. with more than 500 branches, mainly in the U.S. Midwest.

Rising interest rates in both U.S. and Canada are expected to help the lender to post strong earnings in the coming quarters, especially after the tax reforms in the U.S., which are expected to add \$100 million in the bank's profitability.

Some investors are concerned about Canada's frothy real estate market, where rising interest rates could result in increased defaults on the bank's home loans. But Bank of Montreal has a balanced home loan portfolio with insured mortgages accounting for about half of the loans, and the loan-to-value ratio on the rest is just 54%.

### **The bottom line**

After about a 17% drop in its stock price from the 52-week high, BMO stock is on a gradual recovery path. At the share price of \$99.38 at the time of writing, BMO is trading at a 10.68 forward P/E multiple, which looks attractive when compared to its Canadian peers.

With analysts' average 12-month price target of \$108.28, BMO still has some upward momentum left, and investors looking to add a quality banking name to their portfolio can take advantage of this opportunity.

### **CATEGORY**

1. Bank Stocks
2. Dividend Stocks
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### **POST TAG**

1. Editor's Choice

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

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## Tags

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