This 1 Stock Is All You Need to Help Save for Retirement

Description

If you're looking to help save for retirement, you can quickly become overwhelmed with options as to how best to go about doing so. Whether you select growth stocks, dividend stocks, ETFs or a number of different strategies, there's no shortage of ways to try and get there.

However, sometimes the simplest approach can often be the most effective. After all, a complex strategy might include a lot of investments, lots of trading, and that could mean significant commission fees eating away into your potential returns.

That's where a simple buy-and-hold strategy could be the most effective. There are many blue chip stocks to choose from, and one that stands out is **Bank of Montreal** (TSX:BMO)(NYSE:BMO).

Not only would you be investing in a very safe, Big Five bank, but you'd also be earning a great dividend. It's a great one-size-fits-all approach that could work for any investor.

Why BMO is a solid buy today

Even if you're not excited about the growth the stock has to offer, at a price-to-earnings ratio of just 10 and a price-to-book multiple of only 1.4, it's hard to say that it's a bad buy given how cheap it is.

The biggest knock on BMO today is that the stock has only risen 4% in two years. That's not the type of return that is going to get investors excited about investing in the stock.

However, if you're saving for retirement, you're also looking at the longer term. And in 10 years, BMO's share price has risen by around 75%.

That's also without taking into account the dividend income that you would have earned over that time as well. Today, BMO pays its shareholders a very attractive dividend yield of 4.3%.

Not only is there a great probability of the bank continuing its payouts for years and even decades to come, but there's also the possibility that you could end up seeing your dividend payments rise in value.

The bank recently raised its dividend payments from $1 every quarter up to $1.03. Five years ago, BMO was paying just 78 cents, an increase of more than 32% since then, for a compound annual growth rate of 5.7%.

If the bank continues that pattern and your dividend payments are rising by more than 5%, that means it'll likely be more than covering the rate of inflation and will help add to your overall returns.

A good dividend can help you earn a decent return even in a bad year. Suppose the stock only rises 2% in a given year but the dividend remains intact; that means you're earning more than 6% in an off-year.

The longer you hold the stock, the better odds that you'll be earning more than 4% on your initial investment, which means your total returns could be even more significant.

However, let's not forget that bank stocks, although they may struggle in one year, generally rise in value over the long haul.

As there's no real alternative to banks for most of the population, and with few competitors, BMO is a solid long-term buy that can produce both capital appreciation and recurring dividend income for investors.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/04

Date Created
2019/08/15
Author
djagielski