



Market Crash: Opportunity of a Lifetime to Get More Dividend Yield for Less

Description

While this market crash is undoubtedly scary, it also brings opportunities for income investors seeking to get more dividend yield for a lower price of admission.

Warren Buffett once said that the pursuit of "...reaching for yield" is "stupid... but very human." Chasing high yielders has typically led to dividend cuts and other broken promises. But whenever stocks collectively nosedive, one has a chance to lock-in huge dividend yields of Dividend Aristocrats that will stop at nothing to keep their dividend intact.

As you're probably aware, dividend yields are inversely proportional to share price. As a stock crashes, its yield swells to artificially high levels. In most instances, the yields grow to unsustainable heights and are subject to a significant reduction or elimination.

For income investors looking to lock-in a big dividend amid the crash, the key is to look to the financial health of the company under question. You can analyze the financial health and dividend safety of a company by looking at the balance sheet and determining how cash flows will be affected in a contracting economic environment.

If you've got a heavily indebted company in a cyclical industry with high operating costs, you could be looking at a dividend cut just waiting to happen. With such a company, you should take the yield with a fine grain of salt, as no matter how high the dividend has become, odds are it's just an illusion.

How to safely get more yield in times of turmoil

Consider the bluest of blue-chip stocks that not only have healthy balance sheets but also have a track record of maintaining dividend growth through past crises. Look no further than the Financial Crisis of 2008 and you'll be able to see which companies held their dividends intact in spite of any dire macro headwinds.

It's these Dividend Aristocrats (or aristocrats in the making) that are worth buying when it seems like the sky is falling, and dividend yields are swelling to seemingly unsustainable heights.

Of the Dividend Aristocrats, I'm a huge fan of Canadian banks like **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), which now have dividend yields that are the [highest they've been since the Financial Crisis](#).

BMO sports a hefty 7%-yielding dividend that can be relied on by income investors willing to go against the grain amid the coronavirus crash. The bank is well capitalized with a CET1 ratio north of 11%, meaning that the company will be able to ride out this crisis while keeping its dividend intact, as it has so many times before.

Fellow Fool [Andrew Walker](#) is also a big fan of BMO on the dip despite the coronavirus-induced pressures.

"Bank of Montreal paid its first dividend in 1829 and has given investors a piece of the profits every year for nearly two centuries," said Walker. "The bank survived the Great Depression, the crash in 1987, the dot-com bubble and the Great Recession. The odds are pretty good that Bank of Montreal will navigate through the coronavirus challenges as well."

Walker is right. It's unprecedented for a Canadian bank to cut its dividend.

Sure, BMO has more oil and gas loans relative to its peers, which opens up the door for more loans gone bad over the year ahead. Despite this (and other headwinds), the bank is still more than capable of effectively weathering another wave of provisions, even though it may not seem like it given the overextended sell-off.

The stock trades at under seven times earnings, which I view as unsustainably undervalued amid today's severely oversold conditions. If you're looking for yield, go ahead and reach for it with BMO. It's not going anywhere. At least, not anytime soon!

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Date

2025/08/18

Date Created

2020/03/24

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