



A Dividend Aristocrat That Could Make You Filthy Rich

Description

Dividend Aristocrats are the bluest of blue chips for income-seeking investors who want to see their wealth and payouts [grow](#) over the long run. The Dividend Aristocrat club is pretty exclusive. Only the best of the best dividend (growth) stocks are allowed entry. And once they're in, they're highly sought after by income investors who don't want to take excessive amounts of risk. A lot of the time, the Aristocrats tend to be large caps that are household names — not typically the type of names you'd think could make you “filthy rich” or anything close to it.

Dividend Aristocrats can make you filthy rich? Yes, but there's a catch: You need a long-term time horizon!

To get “filthy rich” from such well-known names, you've got to have a long-term time horizon. We're not talking today's definition of long term, as in a holding period of a year or two. We're talking 10, 20, or even 30 years.

[Warren Buffett's favourite holding period is forever](#), and for good reason. Many of the best stocks are like geese that keep laying golden eggs. You want to keep such geese around for as long as possible, as its intrinsic value is capable of appreciating at a solid rate over time, as the managers look to allocate capital in a way to maximize value creation over the long term.

And you need to get a fair, if not wonderful, price of admission!

After you've spotted a Dividend Aristocrat, you shouldn't seek to back up the truck all in one go, though. You still need to get in at a fair, if not wonderful, price. In today's market environment, there are a plethora of “fair” deals, a few “wonderful” deals, and just a handful of “steals.” To get the most out of your investment dollars and to maximize your chances of getting rich, you should seek to get into a Dividend Aristocrat at a considerable discount to its intrinsic value.

Stocks that trade at massive discounts to their intrinsic value are few in far between in the world of the

Dividend Aristocrats that are typically constantly under the spotlight of the mainstream financial media. That's not to say that value can't be had from such names, especially in today's pandemic-plagued market, which I believe has made Mr. Market far more inefficient at pricing stocks at anywhere close to their intrinsic value.

Bank of Montreal: An example of a cheap Dividend Aristocrat that I'd buy

After the coronavirus crisis sent shares of **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) into a tailspin, the Dividend Aristocrat has been passed up by even the most patient of long-term investors amid profound uncertainties. Bank of Montreal didn't have any prominent dents in its armour that suggested the stock would break its nearly 200-year history of paying out dividends.

Sure, the pressures were unprecedented, as too were the pressures on BMO's loan book, which didn't have the best mix going into the crisis. But BMO was designed to survive black swan events, including pandemics. Before analysts have a chance to shift their focus from how bad BMO's provisions for credit losses (PCLs) will be to how quickly earnings will recover, I'd look to load up on shares today, while they're still discounted on a historical basis.

With two effective vaccines that could be administered to the masses next year, BMO is about to become the dividend darling again. With shares trading at 1.1 times book value, I think the name is the closest thing to a steal you'll find in the world of Dividend Aristocrats.

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