Canadian Banks: Buy These Dividend Aristocrats Now, Because They Won't Be Cheap Forever

Description

Dividend Aristocrats are in a pretty exclusive club. They've been through their fair share of turmoil, crises, and complete market meltdowns, only to rise up every time with their dividends still intact. It was pretty easy to give up on a Canadian bank like **Bank of Montreal** (TSX:BMO)(NYSE:BMO), as shares imploded on themselves back in February and March.

The Canadian banks faced an uphill battle

Everything seemed to be headed south, and some very smart people, including fellow Fool Chris MacDonald, grew skeptical over the health of its dividend, despite its nearly 200-year track record of paying dividends through the best and worst of times.

"The concept of a dividend cut by a major Canadian bank like Royal Bank of Canada, or one of its 'Big Six' peers, may seem insane. Canada's largest institutions have an astonishing track record of holding or raising dividends each year. This is a somewhat sacred and undisputed truth in the financial community." wrote MacDonald. "Canada's financial system could be in trouble this year. If things get really bad, dividends will be the first things to get cut as banks look for liquidity and stability."

Reading the piece really made me feel pretty bad about loading up on Bank of Montreal shares on the seemingly endless decline into the abyss back in early March. It was painful to keep buying the dip, and I felt foolish (that's a lower-case *f*, folks) for being proved wrong on the day to day, as stocks collectively plunged on horrifying coronavirus news, with words like *depression* being thrown around by pundits in the mainstream financial media.

Undoubtedly, it turned out to be a good idea to go against the grain with Canada's proven banks. Bank of Montreal was feeling the greatest impact of the crisis because of its energy-heavy loan book and its substantial exposure to the United States, which had been (and still is) experiencing the worst outbreak in the world.

Bank of Montreal: A big blue chip that's still a great value

Bank of Montreal's dividend yield continued to swell. And as provisions for capital losses (PCLs) mounted and capital ratios retreated, some threw in the towel on Big Blue, which I found was absurd, given it was one of the bluest blue chips on the entire **TSX Index**.

A dividend cut would have been historic, but I didn't think it was possible, even in the heat of the moment, as I reached for shares on the way down. The chance to load up on BMO's swollen yield has come and gone, and if you panicked, the opportunity flew by. Never count the well-capitalized Canadian banks out of the race. While the COVID crisis was an unprecedented socio-economic disaster that resulted in equally unprecedented dividend cuts from many firms, I wasn't once at all concerned that a name like BMO would be at risk of slashing its payout to shareholders, even though hitting the pause button on generous dividend hikes did make a tonne of sense.

Foolish takeaway

Now that BMO stock is in full-on rally mode following renewed vaccine hopes, I'd still encourage investors to buy while there's still some value to be had in the name before a return to normalcy. The stock isn't the same steal as it was when it was trading at a hefty discount to its book value, but it's still a bargain when you consider the big risks that have been lifted from the shoulders of Canada's Big Six.

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