



How to Get a 5.2% Monthly Dividend Yield From the Canadian Banks

Description

The Canadian banks are very popular among dividend investors, and for good reason. None of them have cut their payout since World War II. They are extremely profitable and well capitalized. And they're generally well run, too.

But there are a couple of problems with the banks' dividends. First of all, the yields aren't very exciting, ranging from 3.85% at **Toronto-Dominion Bank** ([TSX:TD](#))([NYSE:TD](#)) to 4.74% at **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)). Second, these dividends are paid only once a quarter. So, if you're looking to generate some reliable monthly income (perhaps in retirement), then the banks don't seem like your best option.

Fortunately, there's a way to get more than a 5% yield from the banks. Using this method, you can also make your dividend monthly. And it's as easy as buying one TSX-listed security.

The beauty of "covered calls"

Covered calls are commonly used by investors to generate some extra yield on their investments. It involves buying a stock, then selling a call option on the same security. The trade-off is very simple: by giving up much of the stock's upside, investors generate some extra yield.

This makes covered calls a great option for dividend investors. After all, if you're dividend hunting, you're probably not paying much attention to stock-price movements. Instead, you just want to collect your payout.

In most cases, you need an options account to employ this strategy. But this time is an exception.

The BMO Covered Call ETF

The **BMO Covered Call Canadian Banks ETF** ([TSX:ZWB](#)) employs the exact strategy stated above. It owns each of the Big Six Canadian banks: **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)), **National Bank of Canada** ([TSX:NA](#)), **Bank Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)), and **Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)), along with TD and CIBC. And finally, the ETF is short call options on all these

securities.

In other words, if you're looking to generate some yield from the banks, all the work's been done for you. And it's been packaged into one ETF. It's as easy as buying a stock. Best of all, this ETF yields a healthy 5.2% per year that's paid monthly.

Here's the only downside: the ETF isn't going to skyrocket in value, even if bank stocks soar. Such is the nature of covered calls.

But if you aren't looking to hit any home runs and are just looking for some nice dividend income, this is a very compelling option.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. NYSE:BNS (The Bank of Nova Scotia)
3. NYSE:CM (Canadian Imperial Bank of Commerce)
4. NYSE:RY (Royal Bank of Canada)
5. NYSE:TD (The Toronto-Dominion Bank)
6. TSX:BMO (Bank Of Montreal)
7. TSX:BNS (Bank Of Nova Scotia)
8. TSX:CM (Canadian Imperial Bank of Commerce)
9. TSX:RY (Royal Bank of Canada)
10. TSX:TD (The Toronto-Dominion Bank)
11. TSX:ZWB (BMO Covered Call Canadian Banks ETF)

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