Retirees: Get a Double Dose of Monthly Income From These 3 Bank of Montreal (TSX:BMO) Covered Call ETFs

Description

A large chunk of today's retirees want to take on a more proactive role when it comes to managing their money. Nobody else can handle your money better than you, after all!

Fortunately, **Bank of Montreal** (TSX:BMO)(NYSE:BMO) has stepped up to the plate with new, low-cost ETF offerings that are tradeable on the TSX. For Canadian retirees, it's never been easier or more affordable to create a premium income-paying portfolio from the ground up without needing to pay a "professional" money manager an obscene 3% MER.

From the viewpoint of a retiree or income investor, BMO's line of covered call ETFs including **BMO Europe High Dividend Covered Call ETF** (TSX:ZWP), **BMO Covered Call Utilities ETF** (TSX:ZWU), and **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC) look very compelling with their generous distribution yields of 6.8%, 6.29%, and 6.14%, respectively.

I know what you're thinking. There must be a catch with these high yielding ETFs. They must own stocks with artificially high dividend yields (yields that have surged only because a stock has tanked). While you may think these ETFs would be full of damaged stocks, you'd be wrong. The long positions within the covered call ETFs are actually as stable as they get. We're talking blue-chip names suitable for the most conservative of income investors.

Take the Covered Call Utilities ETF, for example. It's an equal-weighted portfolio of utilities, pipelines and telecoms from Canada and the U.S. In the core of the ETF are blue-chip stocks like **Rogers Communications** and **Fortis**, two ridiculously stable income stocks with relatively high yields of 2.9% and 4%, respectively.

But, how does this ETF manage to command an annual distribution yield north of 6% with stocks that have dividend yields well south of the 6% mark?

You may be thinking that something doesn't add up and that there must be some unsafe +10% dividends buried in the ETF somewhere to make up for the lower yielding components. You'd be wrong, as all the elements of BMO’s ETFs are safe and reliable dividend stocks that are suitable for the most conservative of investors.

The covered call strategy is what allows the ETF as a whole to achieve a higher yield than the sum of its parts. Through the use of covered call options, BMO’s covered call ETFs can provide investors with a double shot of income, the dividends themselves plus the option premium income.

With BMO’s calculated covered call strategy, investors stand to receive an enhanced and fortified income stream that’ll be able to withstand extremely volatile market conditions, as covered call strategies typically outperform when the markets run out of steam. If the sector under question or the markets as a whole move higher over the short to medium-term, however, covered call ETFs will underperform their non-covered call ETF counterparts. In such a scenario, the covered call premium income will still be realized, however. So, for conservative income investors, it’s a great trade-off, especially as the bull market turns 10 years old.

Foolish takeaway

BMO’s covered call ETFs are the best thing for Canadian retirees since sliced bread.

While the 0.7% MERs may seem a bit expensive, they’re dirt-cheap when compared to actively managed mutual funds, which may command four times as much, and they may not even implement a labour-intensive options strategy to boost income.

You’re getting a great bang for your buck, so retirees should strongly consider having a closer look at BMO’s covered call ETFs today, both for downside protection and the double dose of income sources!

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