Big Monthly Income for Life: 2 Stellar Bank of Montreal ETFs to Protect Your Wealth

Description

Don't assume that just because 2018 is in the rear-view mirror that the days of extreme volatility are over with. The turbulent times could very well carry on into the first few months of 2019. So, if you've been actively buying cyclical growth stocks on the recent post-Christmas bounce, you may be left disappointed should the bear regain control of this shaky market that's been rattled by macro fears and geopolitical uncertainties.

The recent sell-off has undoubtedly been led by high-multiple growth names, and with no reason to expect any less of the same in the first few months of the new year, investors may find it more prudent to pick up defensive dividend securities.

As the Fed continues tightening, we're bound to see multiple compressions, and with a less-certain earnings trajectory for many richly valued stocks, the only thing that we can rely on are the dividend payments. If you're going to endure turbulent times, you might as well have something material to show for it, and with the two securities I'm about to present to you, you'll get just that.

Without further ado, here are two monthly distribution-paying **Bank of Montreal** ETFs that'll have your back in a bear market.

BMO Equal Weight REITs Index ETF (TSX:ZRE)

Real estate is a must-have for any portfolio that intends to weather the potentially violent volatility storm on the horizon. As an alternative asset class that has a lower correlation to equities, defensive investors seeking to tilt the risk/reward in their favour would be doing themselves a massive favour by diversifying into real estate investment trusts (REITs) if they haven't done so already.

While many fear a housing meltdown could bring forth severe capital losses, investors will be comforted by large distribution payments that will continue flowing in. And if no recession or housing meltdown happens, REITs are a perfect way to lessen the damage your portfolio will endure as tripledigit market movements become the norm.

At the time of writing, the ZRE is down 9% from its high and now sports a 5% yield. The equal weighting of the ETF's constituents allows many advantages over traditional market-cap-weighted indices; most notably, they, on average, allow for superior results over the long haul, as they're more exposed to smaller, potentially cheaper REITs that are capable of more growth.

BMO Low Volatility CAD Equity ETF (TSX:ZLB)

As the market waters get rough, you're going to want to lower your portfolio's correlation to the moves made in the broader market. In simple terms, you're going to want to make sure your portfolio's beta is less than one, so your portfolio's day-to-day moves will be less choppy.

The ZLB is one of my favourite BMO ETFs for risk-parity portfolios designed with downside protection in mind. Further, I'm a huge fan of the "smart beta" strategy and the low 0.4% MER that I think is a bargain given the expertise you're getting.

"The ZLB's strategy isn't merely to screen out the lowest-beta TSX stocks. Rather, there are smart humans behind the scenes that are hand-picking the securities of businesses that have solid fundamentals. We're talking about proven winners with robust cash flow streams, and plenty of growth left in the tank." I said in a previous piece. "..smart beta goes above and beyond just the beta, although the metric is the 'main attraction' to the low-volatility investment strategy."

At the time of writing, the ZLB is down 7.5% from the top compared to the S&P 500, which is off around 15% from peak levels. While the ZLB could still decline sharply, the moves will be less violent, and the damage endured will be significantly less than the broader indices.

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