



Retirees: Boost Your TFSA Income the Safe and Simple Way

Description

You don't need to take on excessive amounts of risk to boost your TFSA income stream. Although it is a terrible idea to go chasing yield, there are opportunities out there that can allow you to increase your income stream's yield while making it "safer" than other income investments that abide by "the 4% rule."

How can you boost your TFSA portfolio's yield and safety at the same time?

Enter the **BMO High Dividend Covered Call ETF** ([TSX:ZWC](#)), a 6.6%-yielding ETF that offers more downside protection than most other securities with comparable yields.

To retirees, the ZWC allows you the opportunity to have your cake and the ability to eat it too.

The magic that allows the ZWC to break the rules of risk/reward trade-offs lies in the ETF's covered call strategy, which essentially swaps share upside potential for premium income upfront.

In essence, the writing of covered calls allows the ZWC to obtain a higher distribution than the sum of the dividends of its constituents.

In markets that aren't headed higher anytime soon, covered call ETFs like the ZWC outperform their non-covered-call counterparts.

In rising markets, however, covered call ETFs lag their non-covered-call peers because some of the share price upside is surrendered in return for the premium income that's for the investor to keep no matter what.

Although it appears that investors are [getting something for free](#) with the ZWC, they're not. It's merely a trade-off of potential upside for a premium or a bet on the outcome of an uncertain event in exchange for certainty in the form of cash.

Whether the trade-off is worthwhile depends on your circumstances. If you're a retiree, an overly conservative investor, or someone who just wants to hedge themselves from downside risks, the trade-off that's well worth the 0.72% MER.

In [times of considerable uncertainty](#), the ZWC is a breath of fresh air for investors who can't afford another steep correction in the markets. The added income from covered calls is essentially a hedged bet against downside and will serve to dampen volatile times better.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date

2025/09/30

Date Created

2019/08/16

Author

joefrenette

default watermark

default watermark