



## Dividend Investors: 2 Canadian ETFs to Buy and Hold for Life!

### Description

There are plenty of great stocks available for Canadian dividend investors. From banks to utilities, many Canadian industries sport high yields and growing payouts.

If you're seeking to create a diversified dividend portfolio, there are so many options that choosing can be difficult. Fortunately, you don't have to.

With passively managed ETFs, you can buy into a highly diversified basket of stocks without having to select them individually. Not only is this a fast way to get diversification, but it can also save you big on the management fees associated with mutual funds.

Right now, there are several Canadian ETFs available that pay high and growing distributions. The following are two of the best.

### iShares S&P/TSX 60 Index ETF

The **iShares S&P/TSX 60 Index ETF** ([TSX:XIU](#)) is an index fund that aims to replicate the returns of the **TSX 60**—Canada's [60 largest publicly traded companies](#).

Essentially, this ETF is built off the **S&P/TSX Composite Index**, but focused more on large caps.

Why is this better than buying the TSX overall? Two reasons: first, the TSX 60 enjoys slightly better long-term performance than the TSX as a whole; second, the TSX 60 has a slightly higher yield than the TSX (2.73% vs. 2.58%).

The TSX 60's 2.73% yield is not exactly huge, but it's not paltry either. Additionally, it has the potential to grow over time. Among the largest TSX stocks, you'll find plenty of banks and utilities—both sectors known for long term dividend growth. So if you buy \$100,000 worth of XIU today, you'll get \$2730 back in cash every year, and likely watch that payout grow over time.

## BMO Canadian Dividend ETF

The **BMO Canadian Dividend ETF** ([TSX:ZDV](#)) is a dividend-oriented Canadian ETF that sports a very high yield and a [relatively low \(0.35%\) MER](#).

It should be noted that while ZDV's fees are low compared to traditional mutual funds, they're much higher than what you'd get with a truly passive fund like XIU.

However, in exchange for those higher fees, you get far more yield.

At current prices, ZDV has a distribution yield of 4.37%—higher than legendary Canadian dividend stocks like **TD Bank** and **Fortis**.

Looking at its holdings, ZDV mainly consists of energy stocks and banks. Both sectors are known for their high yields, so it's no surprise that there's a lot of them, although the lack of utility stocks in the top 10 holdings is a little surprising.

Year-to-date, ZDV has underperformed the S&P/TSX composite index. The same holds true over the last year. Clearly this isn't the type of fund you'd want to buy for capital gains.

However, there are certain investors for whom high yields are worthwhile in and of themselves; for example, retirees whose primary investment objective is to generate income without selling stock. For such investors, ZDV may make a good bond alternative.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

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