



3 Must-Own ETFs for Monthly Income

Description

There are few things better than pulling up your brokerage statement and seeing all those dividends hit your account. I'm convinced this is one of the reasons why [monthly dividends](#) are so popular.

Some investors satisfy their need for monthly income by buying a selection of dividend stocks that pay dividends each month. Others just buy the best available dividend payers, content in knowing they can budget their way around lumpy quarterly dividends.

But some folks prefer a different strategy. They're happy to pay a reasonable management fee, so they don't have to worry about picking stocks. Let some fund manager worry about that; they'd much rather hit the links or take the grandkids away for the weekend.

If you're in that camp, this article is for you. Here are three monthly dividend ETFs that pay generous yields, passive payouts you don't have to worry about.

BMO Dividend ETF

BMO Canadian Dividend ETF ([TSX:ZDV](#)) is one of my favourite monthly dividend ETFs. It owns a wide selection of Canada's top dividend stocks, including positions in top banks, telecoms, pipelines, and REITs. In total, it has 51 different holdings. This diversification alone makes it a terrific ETF for you to own over the long term.

The fund has a trailing yield of 4.2% and a payout of \$0.065 per share on a monthly basis. The payout is slowly going up over time, as the underlying stocks in the portfolio raise their dividends. In 2011, the fund paid \$0.055 per share each month.

This ETF offers other perks as well, including a reasonable size (it has about \$500 million in assets), and it has a track record dating back to 2011. It also trades a reasonable volume every day, so you don't have to worry about whether your order will be filled or not. The fund's 0.39% management expense ratio is quite cheap, too.

BMO Covered Call ETF

Next up is a covered call ETF with a really nice yield surpassing 6%.

BMO US High Dividend Covered Call ETF (TSX:ZWH) uses a [covered call strategy](#) to really goose its income. Here's how it works.

The first step is to buy a portfolio of high-quality U.S. stocks. Next, the fund sells call options that generate income in exchange for creating a sell obligation at a certain price on a certain day. Sometimes the underlying stock is forced to be sold, but it's still a profitable exercise, because investors get to keep the option premium and there's always some capital gain on the sale.

Essentially, a covered call ETF makes a trade-off. In exchange for more income today, it gives up some capital gains potential in the future. Most folks don't mind, especially when they collect their 6.1% yield.

The only real downfall of this ETF is the high management fee, which checks in at 0.71%. Investors do get active management and a succulent income stream for that fee, meaning most won't mind.

Vanguard Capped REIT ETF

Real estate has long been a trusted option for investors looking for monthly income. After all, it's a stable, boring, and predictable asset class that slowly marches higher over time. And what better way to get real estate exposure than owning a bunch of Canada's top REITs?

That's what **Vanguard FTSE Canadian Capped REIT ETF** accomplishes. It owns more than a dozen of Canada's top REITs, giving an investor instant diversification across the country and exposure to various types of real estate, including retail, office, industrial, and residential space.

One thing that separates this REIT ETF from its peers is its low management fee. Vanguard charges a mere 0.39% management expense fee, which is much better than competing REIT ETFs and among the lowest in the entire monthly income ETF category.

It also pays a nice distribution, with the trailing yield in the 5% range. The payout should slowly go higher over time too, as the underlying REITs hike their distributions.

The bottom line

If you're looking for easy, diverse, and stress-free monthly income, these three ETFs are your ticket. They're great choices for someone who doesn't want all the stress of managing an active portfolio. That leaves more time for the things that really matter.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ZDV (BMO Canadian Dividend ETF)
2. TSX:ZWH (Bmo Us High Dividend Covered Call ETF)

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