Revealed: Canada's 3 Best Dividend ETFs!

Description

Want to invest without taking on too much risk?

If so, dividend ETFs are the way to go. Offering cash income and typically low volatility, they're among the safest assets out there. Academics might quibble over whether dividends really matter in the long run, but there's no doubt that they provide peace of mind. And at any rate, the *types* of stocks that pay dividends are generally safer than more speculative stocks. When you add ample diversification into the mix, it becomes a no-brainer. Dividend ETFs are among the best investments out there for low-risk investors. With that in mind, here are three of the best dividend ETFs in Canada today.

iShares S&P/TSX 60 Index Fund

iShares S&P/TSX 60 Index Fund (TSX:XIU) is Canada's most popular index fund. It's offered by **BlackRock**, the world's biggest ETF company.

XIU tracks the TSX 60 — the 60 largest publicly traded Canadian companies by market cap. That fact gives XIU two advantages:

- Ample diversification
- A focus on proven, mature, blue-chip stocks

Both of these factors tend to result in lower risk, as measured by volatility. On top of that, XIU pays a fairly generous dividend for an index fund. At 2.4%, it's not the highest yield on this list, but it's high enough to generate some income if you have a large enough position.

BMO Covered Call Utilities ETF

BMO Covered Call Utilities ETF (TSX:ZWU) is a Canadian ETF built on utilities and telcos. These types of stocks tend to offer high yields as it is. But ZWU has a special yield-enhancement strategy that takes the yield even higher: writing covered calls. When you write a covered call, you get paid a fee to agree to sell someone your share at a set price. If the stock reaches the price and they exercise, you have to sell them the stock, but you still collect the fee. If the stock fails to hit the price, then the fee is pure income. ZWU writes covered calls on the stocks in its portfolio and collects fees in the process. As a result, the fund has been able to reach a sky-high yield of 7.5%!

iShares Canadian Select Dividend ETF

Last up we have **iShares Canadian Select Dividend ETF** (TSX:XDV). It's a high-yield Canadian ETF with an advertised yield of 4.08%. As you might expect, the fund holds a lot of banks and energy stocks, which makes sense, because banks and utilities are among the highest yielders in Canada today. XDV is an actively managed fund, so its fees are a little higher than those of XIU. At 0.55% per year, the cost is not trivial. However, in exchange for those fees, you get a fund with a much higher yield than you could get with pretty much any passively managed fund. It's definitely a worthy ETF for the yield-hungry to consider.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:XDV (iShares Canadian Select Dividend Index ETF)
2. TSX:XIU (iShares S&P/TSX 60 Index ETF)
3. TSX:ZWU (Bmo Covered Call Utilities ETF)

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