



## Dividend Investors: 2 of the Best Canadian ETFs to Buy Today

### Description

One of the best investment strategies to consider is dividend investing. Another great strategy for investors is utilizing ETFs to gain exposure to multiple stocks. So why not combine the two and buy dividend ETFs as a top income investment? There are certainly plenty of high-quality Canadian dividend ETFs to buy now.

Diversification is one of the most important practices to reduce risk when it comes to investing. That's why [ETFs](#) are so great. Plus, not only do they offer you exposure to several stocks, but you can do it for next to nothing when it comes to commission costs.

These benefits have made ETFs explode in popularity over the last few years, and one of the best ways to utilize ETFs is to buy them for income.

Several ETFs pay dividends, even if they aren't necessarily tracking [dividend stocks](#). For example, an [index fund](#) will hold plenty of stocks that don't pay a dividend, but because it also holds several stocks that do, it will have at least some payout.

The best and highest dividends from ETFs, though, will almost always come from the funds focused specifically on these stocks.

So if you're interested in buying these investments today, here are two of the best Canadian dividend ETFs.

### A top Canadian dividend ETF to buy today

The first fund I would recommend is quite popular amongst Canadians, the **BMO Canadian Dividend ETF** ([TSX:ZDV](#)).

The ZDV is one of the best to buy today because it chooses some of the top Canadian dividend stocks for its portfolio. The fund uses a rules-based approach looking at a combination of dividend growth, size of the yield and safety of the dividend before deciding which stocks to buy and how much to

allocate.

Currently, financials make up 41% of its holdings. So it's no surprise that four of the top five stocks are bank stocks, with the massive Dividend Aristocrat **Enbridge** being the other. Roughly 93% of the portfolio is in Canadian equities, much like all the Canadian dividend ETFs.

Another benefit of the fund is the fact that it pays investors monthly. Plus it has extremely low fees. The management expense ratio is just 0.4%.

The dividend it pays is none too shabby either. Currently, investors can gain exposure to a 4.2% dividend. Furthermore, the portfolio has a price-to-earnings ratio of just 17 times.

So if you're looking for a top dividend stock to buy now, the ZDV is a great choice. Over the past three years, investors have earned a total return of 28% or a compound annual growth rate (CAGR) of 8.7%.

That's not bad for a Canadian ETF that pays an attractive dividend, offers a tonne of stability, and consistently grows over the long term.

## A top high-yield fund

Another choice is **BlackRock's** dividend ETF, the **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)).

This is a great fund because it's designed as a long-term core holding but aims to pay a higher dividend for investors. As with the ZDV ETF, financials are also the largest sector. However, in the XEI fund, financials make up just 30% of holdings.

The funds differ because energy stocks also make up nearly 30% of the XEI. That isn't necessarily surprising, though, considering the XEI targets a higher dividend yield.

What is similar between both Canadian dividend ETFs is that energy and financial stocks make up the top five holdings once again. This time, three of the top five are energy stocks, with the other two being banks. And once again, [Enbridge](#) is one of those top holdings.

The XEI is another fund that pays monthly. Plus, it's also a low-cost ETF, with just a 0.2% MER. That's half of ZDV's.

The two portfolios have similar fundamentals as well. The XEI offers investors a 4.1% dividend yield today and a price-to-earnings ratio on its portfolio of 16.8.

That's very similar to the ZDV, despite having notably different make-ups. The performance is quite similar, too, with the XEI fund getting a slight edge. Over the past three years, investors have earned a total return of 31% or a compound annual growth rate 9.3%.

So if you're looking for a high-quality ETF as a core holding to own long-term, the XEI is a great choice.

## CATEGORY

1. Dividend Stocks

2. Investing

## **TICKERS GLOBAL**

1. TSX:XEI (iShares S&P/TSX Composite High Dividend Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

## **PARTNER-FEEDS**

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