These 3 Dividend ETFs Are Retirees' Best Friends

Description

For retirees, dividend stocks are the way to go. Offering stable, predictable cash payments, they provide the one investment characteristic that retirees need: regular income. While many stock market investors can afford to gamble on stock market gains, the fact is that retirees need cash that comes from a source more reliable than the stock market. Dividends, which come directly from company funds — are one such source.

But there's one inconvenient truth about dividend stocks.

Like all stocks, they are subject to immense risk. While dividend cuts are not as common as stock market declines, they do happen. For retirees who aren't experts at analyzing businesses, picking stocks can be risky. This is why they may prefer to invest in dividend ETFs. By spreading their money out across dozens, sometimes hundreds of stocks, such ETFs reduce risk significantly, while still offering high yields. In this article, I will explore three dividend ETFs that are retirees' best friends.

BMO Equal Weight Banks Index ETF

BMO Equal Weight Banks Index ETF (TSX:ZEB) is a bank fund that yields 3.14%. This yield produces $3,140 in annual cash back on a $100,000 position. ZEB is built on Canadian banks, which tend to have high yields. You can easily beat ZEB's 3.14% with certain individual banks, but you get less diversification if you choose to do so.

ZEB's most unique feature is its equal weighting. Instead of holding each bank in proportion to its market value, the fund invests equal amounts of money in each holding. This reduces the risk of one large holding underperforming and dragging the whole fund down. ZEB's management expense ratio is 0.28%, which is not super low but not the highest around either. So, as an investment, ZEB could perform well over time, even with management fees factored in.

BMO Covered Call Utilities ETF

BMO Covered Call Utilities ETF (TSX:ZWU) is another **BMO** fund, this one built on utilities and telcos. The fund's name is a bit of a misnomer, as it contains much more than just utilities. However, it is just as much a high-yield fund as its name implies. In fact, even more so.

Utility stocks generally have high yields, but ZWU has a much higher yield than the average utility does. That's because the fund uses a yield-enhancement strategy based on covered calls. Calls are a type of option where the buyer pays a premium for the right to buy a stock at a set price. The person who sells the call collects that premium. ZWU uses covered calls to boost its yield. As a result, the fund boasts a 7.65% yield, even though utility stocks usually only yield 3.5-4%.

ZWU's MER of 0.71% is, frankly, pretty high. It's approaching the fees you'll pay on Cathie Wood's funds, which are some of the highest in the ETF industry. But the fund does have a gargantuan yield, so if that's what you're after, maybe ZWU is right for you.

iShares S&P/TSX 60 Index Fund

Last but not least we have **iShares S&P/TSX 60 Index Fund** (TSX:XIU). This is Canada's most popular ETF. It's built on the TSX 60 — the 60 largest Canadian stocks by market cap.

The fund isn't marketed as a dividend fund, but it does have a 2.49% yield, making it one of the highest-yielding North American index funds. If you buy an S&P 500 fund these days, your yield will be barely over 1%. If you buy a NASDAQ fund, you'll get like 0.5%. These yields aren't so hot. So, if you're looking for "moderate" yield in an ultra-diversified fund, XIU might be just the fund for you. It also doesn't hurt that its MER (0.16%) is the lowest of all the funds on this list.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)
2. TSX:ZEB (BMO Equal Weight Banks Index ETF)
3. TSX:ZWU (Bmo Covered Call Utilities ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise

7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. andrewbutton
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/08/19
Date Created
2021/12/24
Author
andrewbutton