



Want High Monthly Investment Income? Buy These Canadian ETFs

Description

Income-oriented investors have traditionally utilized [a mixture of aggregate bond funds and dividend-paying Canadian stocks](#) to ensure a steady cash flow to draw on during retirement. The goal here is to meet living expenses using the distributions as much as possible, without withdrawing too much of the principal.

Therefore, an income-oriented retirement portfolio should provide high yields, with monthly distributions paid annually. This may be more difficult with dividend stocks that pay quarterly and rarely have yields that exceed 4%. Fortunately, **BlackRock** has some excellent [exchange-traded funds \(ETFs\)](#) that fill this gap. Let's take a look!

Preferred shares to the rescue

Our first ETF, **iShares S&P/TSX Canadian Preferred Share Index ETF** ([TSX:CPD](#)), provides exposure to a diversified portfolio of Canadian preferred shares. To put it simply, a preferred share is a hybrid security with both equity and fixed-income characteristics.

Preferred shares are company stock with dividends that are paid out to shareholders before common stock dividends are issued. If the company enters bankruptcy, preferred stockholders are entitled to be paid from company assets before common stockholders.

Most preference shares have a fixed dividend, while common stocks generally do not. Preferred stock shareholders also typically do not hold any voting rights. Notable preferred shares in this ETF include those from **TC Energy, Canadian Imperial Bank of Commerce, Enbridge, Bank of Montreal, Royal Bank of Canada, and Fortis.**

CPD has a total of 221 holdings and a current annual distribution yield of 4.10% paid monthly. On a \$1,000,000 retirement portfolio, that equals to \$41,000 in annual dividends paid out. CPD will cost you a management expense ratio (MER) of 0.06% to hold, which is rock bottom.

Corporate bonds are good, too

Our second ETF, **iShares Canadian Financial Monthly Income ETF** ([TSX:FIE](#)), augments CPD with the addition of corporate bond and income trust units, primarily those from the Canadian financial sector.

FIE current has a total of 28 holdings, with a higher distribution yield of 5.65%. On a \$1,000,000 retirement portfolio, that equals to \$56,500 in annual dividends paid out. FIE will cost you an MER of 0.82% to hold, which is significantly higher than CPD, but it's understandable when we look at its composition.

In addition to holding CPD, FIE also holds a corporate bond index, and the common shares of numerous financial sector companies outside of the Big Six banks, including **Manulife**, **Power Corporation**, and **Sun Life**.

The combination of preferred shares, corporate bonds, and common shares give FIE better potential for capital appreciation while still ensuring a very respectable yield for income.

The Foolish takeaway

Both FIE and CPD can be alluring to income-oriented investors. However, we need to be aware of a few material risks if we buy and hold one of these ETFs:

1. Interest rate risk: The price of bonds (and, to a lesser extent, preferred shares) are inversely related to interest rates. When interest rates rise, the price of these assets will fall, while their yields increases.
2. Concentration risk: Both ETFs are heavily invested in either the financial sector (FIE) and/or the energy sector (CPD). These sectors are often cyclical and can be prone to bouts of underperformance.

If I had to choose, I would pick FIE. Despite its much higher MER, the diversification benefits are better. Having a well-rounded portfolio of not only preferred shares but also corporate bonds and common shares gives the potential for capital appreciation in addition to steady monthly income.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CPD (iShares S&P/TSX Canadian Preferred Share Index ETF)
2. TSX:FIE (iShares Canadian Financial Monthly Income 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. kduncombe
2. tdong

Category

1. Dividend Stocks
2. Investing

Date

2025/09/27

Date Created

2022/01/15

Author

tdong

default watermark

default watermark