2 High-Yield Dividend ETFs to Buy Today

Description

Dividend investing is a gift that keeps on giving, provided that you invest in the right income-generating assets. Choosing the right high-quality dividend stocks and curating an income-generating portfolio is not something everybody can do. It entails a considerable degree of risk, even with the most seemingly reliable investments.

Exchange-traded funds (ETFs) are investment vehicles that could alleviate that pressure. These funds are baskets of securities managed by professionals on your behalf. These funds seek to provide you with investment returns by either passively replicating the performance of a particular market index or through an actively managed portfolio that aligns with a specific mandate by the fund manager.

If you want to create a dividend income portfolio and you prefer a more hands-off approach, the **TSX** boasts several dividend ETFs that you could consider investing in to meet your goals. While these funds may come with higher management fees than passively managed funds, they also offer juicy dividend yields that could more than cover the costs.

Today, I will discuss two such high-yielding dividend ETFs you could consider buying today.

BMO Covered Call Utilities ETF

BMO Covered Call Utilities ETF (TSX:ZWU) is a high-yield ETF that seeks to provide you with investment returns based on the performance of high-yield utility businesses, telcos, pipelines, and other sectors that consist of stocks with high dividend yields. The fund manager uses a covered-call strategy to increase its yield, offering you potentially higher passive income than many reliable dividend stocks.

The covered-call strategy results in a substantial 7.44% dividend yield. Provided you invest enough funds over the years in ZWU ETF shares, you could set yourself up for considerable passive income through its dividend payouts alone.

BMO S&P/TSX Equal Weight Banks ETF

BMO S&P/TSX Equal Weight Banks ETF (TSX:ZEB) is the perfect fund to consider if you want to gain exposure to the Canadian banking sector. ZEB ETF does not use a covered-call strategy to enhance its dividend yield, which means a lower dividend yield than ZWU ETF. At writing, BMO ZEB ETF offers shareholder dividends at a decent 3% dividend yield.

The lack of a covered-call strategy might mean lower shareholder dividends. However, its approach means that its potential capital gains are higher than you might get if the fund manager used a covered-call strategy. Covered calls can increase dividend income but limit growth. ZEB ETF could be a better addition to your portfolio if you want to get dividend income along with capital gains.

Foolish takeaway

Investing in a portfolio of dividend stocks is a great way to create a passive-income stream that can grow your wealth and provide you with reliable long-term returns. However, you do need to keep a check on the assets you hold and rebalance your portfolio to adjust to changing circumstances in the stock market to stay aligned with your goals.

Investing in dividend ETFs relieves you from the responsibility of managing a portfolio of securities yourself. It also offers you exposure to the performance of a broader range of securities than you could own in a self-directed portfolio.

If you're looking for a hands-off method to generate decent dividend income, ZWU ETF and ZEB ETF could be viable additions to your portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ZEB (BMO Equal Weight Banks Index ETF)
2. TSX:ZWU (Bmo Covered Call Utilities ETF)

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