1 of the Best High-Yield ETFs to Buy and Hold Forever

Description

There's no lack of uncertainty going into this year, with central banks around the world finally ready to raise interest rates, perhaps at a pace quicker than most expect. Indeed, the Bank of Canada (BoC) could be poised to raise rates around four times, with the U.S. Federal Reserve well equipped to hike rates at least three times.

Undoubtedly, we may end up with far more rate hikes than the Street expects, especially if the economy runs hot and Omicron proves to be one of the last severe waves of the COVID pandemic. In any case, the U.S. Fed is starting to take those hot 7% CPI numbers very seriously. There's no question they're eroding the purchasing power of savers. While quicker-than-expected rate hikes or a more hawkish pivot could rattle markets, especially higher-growth names that have felt the most pain in recent quarters, I still think equities are the best way to make it through this inflation wave.

High-yield value plays could be vital to doing well in a market that's looking to scrape back the easy gains posted by the "sexy" growth stocks of 2020. Although the growth-to-value rotation has already taken hold, I'd argue that it's not too late, given more rate hikes could easily accelerate the rotation.

Here in Canada, the financials, energy, and utility sectors have been given a bit of a jolt. And in this piece, we'll have a look at one high-yield ETs that can help you easily gain exposure to cheap but safe yield that can help you gain a leg up over inflation, even if it does drag on for yet another year.

BMO Canadian High Dividend Covered Call ETF: A 6.2% yield powered by some of Canada's top dividend studs

Consider **BMO Canadian High Dividend Covered Call ETF** (TSX:ZWC), which commands a mouth-watering 6.5% yield at the time of writing. I like to view the ZWC as having one of the safest single investments with a yield north of 6.2%. While the ETF's yield has come down considerably as a result of the past year's strong capital appreciation, I still think there's substantial value to be had for the many investors who remain unprepared for a continuation of the growth-focused selloff.

Within the ZWC, we have many solid companies, most of which are in the financial services industry. The Canadian banks and lifecos comprise a large slice of the ETF. Unlike most other yield-heavy Canadian ETFs, however, the ZWC also uses covered-call options to boost that yield slightly higher. The strategy foregoes potential capital upside for gains. In a year where many pundits believe returns will be muted, I think the covered-call strategy is nothing short of intriguing.

With a 0.72% MER (a tad on the high end), you're getting quite a bit. The covered-call options-writing strategy is likely a major contributor behind the higher fee. But for those with muted expectations for the year, I'd argue that the fee is well worth paying.

Bottom line

There aren't many "safe" places to hide from inflation these days. For savers fed up with taking the hit, the ZWC is an intriguing option that can help you make it through another year of market volatility in a somewhat smoother fashion. The 6.2% yield can help dampen the blow, and the low betas of many of the ZWC's constituents can help investors dodge and weave through a continuation of this "mini tech bust."

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