2 Passive Income Funds to Thrive in a Rocky Stock Market in 2022

Description

It’s been a rocky start to the year for stock markets, to say the least. Indeed, passive income at a time like this can help you keep you calm. Dividends, distributions, and all the sort can act as an incentive to hold through trying times like these. Correction, crash, meltdown, downturn, or bear market; you know you’ll get paid on schedule if you’ve got wonderful dividend stocks at the core of your portfolio. A 10% drop in markets to kick off a new year? Not great, but passive income investors need not worry. Such passive income can help pad the blow dealt by Mr. Market. Further, the highest-quality dividend-paying value stocks tend to hold their own better than those high-beta sexy stocks.

Indeed, higher yields typically mean less growth and less excitement, given a lower chance of striking it rich over the near term. Such investments can help you build wealth over the long run and stay rich. In this market, I believe that staying rich is key to outpacing your average investor and the broader **TSX** or **S&P 500**.

A rocky stock market could persist

Warren Buffett missed out on the euphoric rise in late-2020 and early-2021. But now that the tides have turned and he looks like a genius once again. The lessons taught by the man are invaluable, and sometimes you just need to settle for solid market-beating gains versus risks taken on, rather than trying to get rich overnight. Bitcoin and all the sort enriched so many. What you don’t hear are the folks who lost big-time. Some lost considerable amounts, and others got wiped out. It’s a dangerous game to speculate just because somebody else is getting rich. Momentum is a draw-in, but once the punch bowl is taken away, odds are one will be dealt a hefty punch straight to the gut.

That’s why keeping it boring could be key to doing well or at least staying in the game in a choppy 2022. The latter, I believe, should be the goal of market newcomers. Do try to make money, but don’t ever put yourself in a spot to get wiped out. That means not going YOLO on meme stocks or attempting to buy dips on assets you either don’t understand or can’t evaluate on a fundamental level.

The covered call ETFs look great for passive income investors

I know, young investors are going to scoff at the two passive income funds in this piece, but I do think they're worth nibbling at with a portion of one's portfolio. The **BMO Covered Call Canadian Bank ETF** (TSX:ZWB) and the **BMO Covered Call Utilities ETF** (TSX:ZWU) are two passive income power plays to check out in 2022.

Now, the banks and utilities are a tremendous defensive plays on their own in this rising-rate environment. That said, they've had quite a run, especially the big banks. While ZWB and ZWU are bullish bets on the banks and utilities, respectively, they're more bountiful bets for the cautious bulls who are mildly optimistic on each sector.

The covered call is a great way to get more passive income at the cost of potential upside. Indeed, view it as a compromise or some sort of hedge. Yes, if banks or utilities surge higher, you'll walk away feeling foolish, knowing you could have done better without covered calls thrown into the mix. But if you think we're in a choppy, flat, or down market with prospective returns that could be mild (many pundits believe we could be in for this), the covered call ETFs are magnificent. No, you won't get rich off them. But they can help transform your portfolio into a steady ship as the market waters get that much rougher.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ZWB (BMO Covered Call Canadian Banks ETF)
2. TSX:ZWU (Bmo Covered Call Utilities ETF)

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