



2 Dividend ETFs to Buy and Hold Forever

Description

Dividend investing is one of the best ways to deploy your investment capital to generate returns on your investment and create a passive-income stream.

Allocating enough capital to the right [income-generating assets](#) can provide you with a reliable passive-income stream that you can use to supplement your active income. You can even consider reinvesting your dividend income to unlock the power of compounding and accelerate your wealth growth.

If you're unsure about which dividend stocks to buy, diversifying your investment capital across several dividend stocks could be a great way to mitigate risk. Investing in [exchange-traded funds \(ETFs\)](#) designed to provide you with dividend income could be an excellent method to achieve instant diversification at a low cost.

Today, I will discuss two top dividend ETFs you can buy and hold forever to generate reliable returns through shareholder dividends.

Vanguard FTSE Canadian High Dividend Yield Index ETF

Vanguard FTSE Canadian High Dividend Yield Index ETF ([TSX:VDY](#)) is a fund designed to provide you with investment returns by tracking the performance of the FTSE Canada High Dividend Yield Index before fees and expenses. The underlying index measures the performance of common stocks of publicly listed Canadian companies that boast high dividend yields.

VDY ETF invests in and holds securities as they are held by the underlying index, providing you with investment returns through monthly distributions derived from the dividend income from its constituent securities. The fund boasts an annualized distribution yield of 3.58% and a management expense ratio (MER) is 0.21%, making it an attractive investment to consider.

BMO Canadian Dividend ETF

BMO Canadian Dividend ETF (TSX:ZDV) is a fund that has been designed to provide you with investment returns through exposure to a portfolio of Canadian dividend-paying stocks.

The fund manager uses a rules-based methodology to select the dividend stocks to invest and hold to provide you with investment returns based on their performance. ZDV ETF considers the three-year dividend-growth rate, dividend yield, and payout ratio to determine its constituent securities.

The fund manager rebalances its portfolio in June and reconstitutes it in December each year to ensure that its holdings are aligned with its investment goals. ZDV ETF boasts an impressive annualized distribution yield of 3.79%. It is also a low-cost ETF to consider, with an MER of 0.35%.

Foolish takeaway

VDY ETF comes at a lower cost with its 0.21% MER compared to ZDV ETF's 0.35% MER. However, ZDV ETF offers a higher distribution yield of 3.79% compared to VDY ETF's 3.58% distribution yield.

The top holdings of both the dividend ETFs I have discussed are similar. Investing in both funds might not be the most practical decision. Instead, you could consider allocating a portion of your investment capital to buy shares of one of the two ETFs that offer you the ideal combination of MER, dividend yield, and [growth](#).

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

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