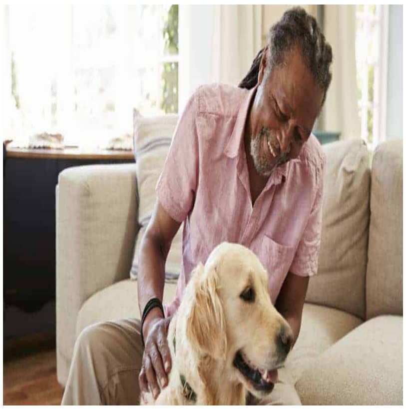

Retirees: 3 Dividend ETFs I'm Holding Forever

Description

If you're retired, dividend ETFs are among the best investments you can make. Offering low risk and relatively high dividend income, they meet two of the investment characteristics retirees typically seek out:

- Safety
- Income potential

default watermark

Dividend ETFs, like all ETFs, provide safety through diversification. By holding large portfolios of stocks, they reduce the specific risk inherent to individual stocks. Market risk remains, but that's just about the only risk. All index ETFs have this risk-reducing quality. Dividend ETFs specifically offer income potential as well. So, they're the ideal ETFs for income-seeking investors, such as retirees. In this article, I will explore three ETFs that I personally intend to hold all the way to retirement.

iShares S&P/TSX 60 Index Fund

iShares S&P/TSX 60 Index Fund (TSX:XIU) is the first index fund I ever bought. It's built on the TSX 60 Index — the 60 largest Canadian companies by market cap. I bought this fund more than three years ago, and I have no intention of ever selling it.

What makes XIU such a good fund?

For one thing, it's the most popular Canadian index fund by trading volume. This in itself is a virtue, because it ensures high liquidity and, therefore, low bid-ask spreads. Market makers profit by capturing the difference between the price you bid and the price the seller asks. With XIU, this spread is extremely small, ensuring that you don't cough up too much in spread costs.

Second, it's highly diversified. With 60 stocks, it has about as much diversification as you could ask for from a Canadian fund. Technically, **iShares TSX Capped Composite Index Fund** has 250 stocks, but the bottom 190 of them have so little weighting, it barely makes a difference.

Third, the fund has a pretty low fee. At 0.16%, it's not as low as some of the biggest ETFs out there, but it's low enough that you won't notice it, unless you manually break out a calculator and work it out by hand.

Vanguard S&P 500 Index Fund

Vanguard S&P 500 Index Fund (TSX:VFV)(NYSE:VOO) is another index fund I'm a big fan of. This is not specifically a dividend fund, but it does pay a small dividend yielding 1.3%. That's not a huge yield, but dividends can grow over time. On top of its modest yield, VFV also offers an extremely low fee (0.04% on the NYSE, or 0.08% on the TSX), extreme diversification (500 stocks), and off-the-charts liquidity. It's a staple of most North American investors' portfolios for a reason. With basically all the characteristics an index fund is supposed to have, VOO has stood the test of time.

Vanguard Financials ETF

Last but not least, we have **Vanguard Financials ETF** (NYSE:VFH). This is a fund built on U.S. bank stocks, which generally have fairly high yields. Given that the fund isn't exactly a broad market fund, you'd expect it to have a pretty high fee. But, in fact, its 0.1% yield is fairly low. I'm a big fan of bank stocks in 2022, because they actively benefit from the macro trends (e.g., higher interest rates) that are rocking tech stocks. VFV is one fund I bought to capitalize on the gains we're seeing in banking today. I may buy more if current conditions persist.

default watermark

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSEMKT:VOO (Vanguard S&P 500 ETF)
2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XIU (iShares S&P/TSX 60 Index 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. andrewbutton
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date
2025/07/20
Date Created
2022/02/10
Author
andrewbutton

default watermark

default watermark