



This ETF Could Generate \$271 in Monthly Passive Income

Description

A passive-income stream that delivers cash every month is ideal for investors who want to live off their assets. These monthly dividend stocks help you meet your monthly expenses on time. Unfortunately, most monthly [dividend stocks](#) offer low yields.

Even if you find a monthly dividend stock with a high yield, you might want to avoid putting all your assets in a single stock. This is why an exchange-traded fund (ETF) that delivers monthly payouts is a better option. With these instruments, you can get exposure to 40-50 different high-quality companies and a monthly payout with an attractive yield all at the click of a button.

Here's a closer look at one such passive-income opportunity.

Monthly dividend ETF

BMO Canadian Dividend ETF ([TSX:ZDV](#)) could be a perfect bet for investors seeking a safe and reliable source of monthly passive income. The ETF outperformed in 2021, slightly edging out the overall market by rallying 25% compared to TSX gains of about 20%. The momentum has shown no signs of fading away even on the broader market coming under pressure amid monetary policy concerns.

The ETF's edge stems from the fact that it tracks the performance of some of the highest-paying Canadian dividend stocks. The ETF tracks all the five big Canadian banks in addition to other high-profile names such as **TELUS** and **Canadian National Railway**.

These companies have high yields, low payout ratios, and significant room for growth. In fact, some holdings like Canadian National Railway are inflation hedges, so investors can expect some wealth preservation as well. Companies like Telus, meanwhile, boost their payouts consistently, so the ETF's dividend yield could increase over time.

High yield

ZDV's [dividend yield](#) of about 4.1% is one of the highest in the ETF space. It generates a big chunk of its high dividends from gains in the banking telecom and energy stocks. Consequently, it can offer monthly distributions.

Deploying a fully maxed-out Tax-Free Savings Account (TFSA) in this ETF could generate \$3,260 in annual or \$271 in monthly passive income. That's enough to cover at least one of your monthly household bills.

The ETF's management expense ratio of about 0.39% puts it in line with the rest of the industry. However, if you're focused on generating passive income, you may need to adjust the dividend yield to account for this expense ratio.

BMO Canadian Dividend ETF is ideal for any investor seeking consistent [high dividend](#) and long-term price appreciation. Additionally, the ETF boasts of much lower volatility compared to the overall market. ZDV offers one of the best routes to generate significant passive income in addition to share price appreciation.

Bottom line

If you're living off the income from your assets a high-yield monthly dividend stock is ideal. However, you might need some diversification to limit risk, which is why the BMO Canadian Dividend ETF is an ideal target. With a 4% dividend yield, monthly payout, and portfolio spread across 51 holdings, this is one of the best passive-income opportunities in 2022.

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