



Dividend Investors: 3 Top Canadian ETFs to Buy Now

Description

Owning Canadian dividend stocks is great for passive income, which is why sometimes some of the top investments to buy are dividend ETFs, which give you instant diversification.

[Diversification](#) is always important. But diversification isn't just about lowering your exposure to the potential for your stocks to fall in value. You also want to diversify the dividend stocks you own. This way, if there's a black swan event, such as a pandemic, which causes some stocks to trim their dividends, others will continue to pay you as expected.

So, if you're a [dividend investor](#) and are looking to boost your passive income, here are three of the top ETFs to buy today.

A high-yield dividend ETF to buy now

One of the best and most popular dividend ETFs for Canadian investors to buy is **iShares Canadian Select Dividend Index ETF** ([TSX:XDV](#)). The XDV is so popular because it offers investors exposure to roughly 30 of the highest-quality dividend stocks in Canada.

Its investment objective is to replicate the performance of the Dow Jones Canada Select Dividend Index — an index made to track the performance of high-dividend stocks. So, not only are these some of the best Canadian dividend stocks to own for passive-income seekers, but they are handpicked by a team of professionals, so you know they are among the highest-quality stocks in Canada.

The fund offers exposure to stocks in several [sectors](#), but the three sectors with the most exposure are financials, communications and utilities — all highly robust businesses.

Right now, the trailing 12-month yield is just over 3.6%, and the fund pays out cash monthly to investors — an attractive feature. And, of course, one of the most important factors, with all the different substitutes investors have today, it's important to find a [low-cost fund](#) to buy, and the XDV has a management expense ratio of just 0.55%.

So, if you're looking for a fund that offers exposure to high-quality dividend stocks, the XDV is one of the best to consider.

A high-quality financial sector ETF

Another excellent ETF to buy today is **iShares S&P/TSX Capped Financials Index ETF** ([TSX:XFN](#)). While this ETF only offers exposure to financial stocks, it's an excellent investment to make to gain exposure to the financial sector.

Financials are well known to be excellent dividend stocks but also great long-term investments that are highly robust. In addition, in this environment, bank stocks and other financial companies are some of the best businesses to buy, as [interest rates](#) are increasing.

This is why the XFN is one of the top Canadian ETFs for dividend investors to buy now. Its yield is slightly lower than the XDV ETF, at just 2.5%. However, over the last five and 10 years, it has slightly outperformed the XDV.

In addition, its fees are also low, with a management expense ratio similar to the XDV at 0.6%. So, if you're a Canadian dividend investor looking to boost your passive income and buy a top ETF right now, the XFN is one of the best to consider.

A top Canadian ETF for energy exposure

Lastly, if you like the thought of the XFN ETF, you may want to consider **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)). The XEI is very similar to the XDV high-dividend ETF.

They are both funds made to track high-dividend stocks. They both have very similar performances over the last five- and 10-year periods. And, of course, their distribution [yields](#) are both very similar.

So, why is the XEI another top ETF for Canadian dividend investors to buy now? It offers exposure to more than double the stocks, it's less weighted to financials, and, in general, it offers more diversification.

Energy also makes up about 30% of the fund, which in this environment is attractive, as energy stocks are seeing a major tailwind from inflation as well as the growing demand for commodities.

The last reason the XEI may be a better ETF to buy for Canadian dividend investors today is that its management expense ratio is less than half of the XDV at just 0.22%.

So, if you're looking to boost your passive income today with a well-diversified investment, the XEI is one of the top funds to buy now.

CATEGORY

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TICKERS GLOBAL

1. TSX:XDV (iShares Canadian Select Dividend Index ETF)
2. TSX:XEI (iShares S&P/TSX Composite High Dividend Index ETF)
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