



## 2 Canadian Dividend ETFs to Buy Right Now

### Description

Investing in stocks can be intimidating for a new investor. You read many articles and learning material, and they all say the three basic rules of investing: diversification, disciplined investing, and financial goal-setting. All three topics are deep, but you must read a lot about them. Selecting good stocks can be expensive, as they [range from](#) \$40 to \$70 or higher. This is where ETFs come in.

### Why invest in ETFs?

ETFs cost you less than \$100 while giving you exposure to stocks listed in an index. Unlike mutual funds, ETFs have a lower expense ratio, and you can buy and sell them on an exchange. You can buy different ETFs depending on your financial goals.

For instance, if you want to earn passive income, dividend ETFs are a good fit. If you are studying investing and have a broad view of a sector or trend, you can invest in a sector ETF or trend ETF, like a 5G or electric vehicle ETF. If you want to diversify into other asset classes, like commodities, gold, [Bitcoin](#), there are ETFs for that too. You can start by building an ETF portfolio while learning about stock market investing.

## Two Canadian ETFs to buy now

It is no point buying two ETFs that follow the same index, as they would invest in the same stocks with similar weightage. The way to build an ETF portfolio is to buy ETFs that have different investment objectives. Also, look for the management expense ratio (MER), as it will be deducted every year on the value of your ETF. The MER is in addition to the commission you pay to the broker. Moreover, returns on the ETF will be taxable, unless you invest through the Tax-Free Savings Account ([TFSA](#)).

Here are two ETFs to get you started in your investing journey:

- **BMO Canadian Dividend ETF** ([TSX:ZDV](#))
- **iShares S&P/TSX Capped Information Technology Index ETF** ([TSX:XIT](#))

## BMO Canadian Dividend ETF

When looking to earn passive income, stocks with stable business and cash flows are good bets, as they pay regular [dividends](#). Some good dividend-paying stocks come from sectors like banking, utility, real estate, telecom, and oil. But these sectors have their risks. For instance, oil and real estate stocks fell and slashed dividends in 2020, as the pandemic affected their cash flows.

If you invest in one stock, your risk is high. The BMO Canadian Dividend ETF mitigates this risk by giving you exposure to 51 dividend stocks, including financial, energy, utilities, and communications. It has allocated not more than 5.5% of its holdings in a single stock. But diversification comes at a cost of a lower annualized distribution yield of 3.74% (at the time of the writing) and a higher MER of 0.39%. The yield keeps fluctuating, but the volatility is lower than that of an individual stock.

The ZDV ETF surged 20% in the last five years, which is not attractive growth, given the TSX Composite Index, which surged 36%. This ETF trades capital appreciation for the annualized dividend and reduced downside.

## iShares S&P/TSX Capped Information Technology Index ETF

You can fill the capital appreciation gap with iShares S&P/TSX Capped Information Technology Index ETF. The ETF invests in 25 tech stocks, including software, IT services, and internet services. The technology ETF has a higher MER of 0.55%, but this is compensated for with high growth. The ETF has a 10-year compounded annual growth rate (CAGR) of 23%.

But with high growth comes high risk. Even though the ETF has mitigated the downside risk by diversifying across 25 stocks, it has medium to high risk by ETF standards. But the XIT ETF has a lower risk compared to individual stocks, making it a fair trade-off between risk and return.

## Foolish takeaway

ETFs will give you time to learn about the stock market without losing on the returns that you can accumulate through [passive investing](#).

### CATEGORY

1. Dividend Stocks
2. Investing

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

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