3 ETFs for Autopilot Cash Income

Description

Looking to add some autopilot cash income to your RRSP or TFSA?

If so, dividend exchange-traded funds (ETFs) are the way to go. Generally offering much higher yields than bonds, dividend ETFs can pay you rivers of income if you pick them right. Technically, this is true of individual dividend stocks as well as ETFs. But ETFs provide built-in diversification that helps reduce the risk in your investment, on top of paying you dividend income. In this article I will explore three high dividend ETFs that could pay you easy passive income in 2022.

Canadian dividends

The **BMO Canadian Dividend ETF** (TSX:ZDV) is a Canadian dividend ETF offered by the **Bank of Montreal.** It holds a diversified portfolio of Canadian dividend stocks including banks, energy stocks, and utilities. With a 3.88% dividend yield, it has above-average income potential. It is also delivering solid capital gains this year. In 2022, U.S. stock markets are down, and Canada's TSX is only up a little bit. ZDV, in the meantime, is up nearly 9%. ZDV has a 0.39% management expense ratio (MER), which is higher than what you'd pay with a broad market fund, but it may be worth it for the extra income the fund adds to your portfolio.

TSX 60

The **iShares S&P/TSX 60 Index Fund** (TSX:XIU) is a Canadian index fund that holds the TSX 60 — the 60 largest Canadian stocks by market cap. XIU is not specifically marketed as a dividend fund, but Canadian index funds have relatively high dividend yields by default. XIU currently yields about 2.48%, which is actually pretty good for a dividend stock in many other countries. Most U.S. banks have yields at about that level, and they're considered to be dividend investments.

It's no surprise that XIU has a relatively high yield. Canada's stock market is pretty heavily concentrated in "value" sectors like banks, utilities, and energy, and all of those sectors tend to pay high dividends. On the flipside, they typically *don't* deliver enormous capital gains, at least not during "hot" markets, but they can do better than average in high interest rate environments like the one we're currently entering.

Canadian banks

The **BMO Equal Weight Banks ETF** (TSX:ZEB) is another BMO fund, this one focused on Canadian banks. Banking is a famously high-yield sector, and Canadian banks have higher yields than their American counterparts. They also have pretty good dividend growth track records. ZEB has a 3.61% dividend yield, and a relatively low 0.25% management fee. The fund is equally weighted, which reduces the risk of underperformance in any one stock dragging the whole fund down. So you've got a high yield fund with dividend growth potential that also has some risk management built in. It's a solid dividend fund to hold.

Foolish takeaway

In the world of dividend investing, the choices are endless. Between individual stocks, dividend funds, and covered call funds, there are many options to choose from. At times, the choices can seem overwhelming. If you're looking for a dividend ETF to add to your portfolio, any of the three just mentioned would be worth researching.

CATEGORY

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TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)
3. TSX:ZEB (BMO Equal Weight Banks Index ETF)

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