2 Dividend ETFs for Easy Passive Income

Description

Canadians can create easy passive income with minimal effort through exchange-traded funds (ETFs). Minimal effort means doing away with selecting individual dividend stocks and monitoring them. Also, if you're chasing after higher-than-average dividend yields and monthly payouts, two dividend ETFs are your best options.

iShares Canadian Financial Monthly Income ETF (TSX:FIE) pays a 6.87% dividend, while the dividend offer of **BMO Canadian Dividend ETF** (TSX:ZDV) is 4.39%. Moreover, both ETFs are eligible investments in tax-advantaged investment accounts like the Registered Retirement Savings Plan and Tax-Free Savings Account (TFSA).

Besides the generous yields, the medium risk-rated ETFs are ideal for laid-back investors. An equal investment of $25,000 in each ETF will generate $234.58 in passive income every month. However, note that the even a basket of funds isn't immune from market volatility. Currently, FIE and ZDV are down 14.07% and 3.01%, respectively.

Multi-asset portfolio

BlackRock, the fund manager of FIE, invests in common shares, preferred shares, corporate bonds, and income trust units of issuers in the Canadian financial sector. The investment objective is to maximize total return while providing a stable stream of monthly cash distributions to investors. As of this writing, FIE trades at $6.87 per share.

Given the nature of the fund, the holdings are overweight on banks (50.12%) and insurance (21.89%), and diversified financial (8.10%) stocks. Other sectors like energy (5.7%), utilities (4.7%), real estate (4.61%), and telecommunications (2.07%) have minimal representations.

However, FIE's top two holdings are **iShares S&P/TSX Canadian Preferred ETF** (22.29%) and **iShares Core Canadian Corp bd Ind** (11.38%). The bank stocks with percentage weights of at least 7% are **RBC** (8.8%), **CIBC** (8.5%), **BMO** (8.27%), and **TD** (7.25%). **Manulife Financial** (6.03%) and **Power Corporation of Canada** (5.12%) are the top insurance stocks in the fund.

BlackRock rebalances the portfolio every quarter but makes sure it maintains the exposure to Canada's financial services sector. Performance-wise, FIE's total return in 10.01 years is 119.27% (8.16% CAGR). The current net assets are worth $861.84 million.

Lower volatility than the market

BMO Global Asset Management (BGAM) manages ZDV, a fund designed to provide income and growth solutions to investors. The fund's primary exposure is to a yield-weighted portfolio of higher dividend-paying Canadian stocks. According to BGAM, the result should be a sustainable income with lower volatility than the market.

It seems the strategy is working, because ZDV outperforms the broader market year to date, -3.01% versus -10.73%. BGAM utilizes a rules-based methodology when selecting Canadian equities. The primary considerations are payout ratios and the three-year dividend-growth rate. Also, the holdings or stocks undergo a liquidity screen process, rebalancing (June), and reconstitution (December).

As of this writing, the number of holdings and total net assets are 51 and $861.99 million. Financial stocks (39.24%) dominate the fund followed by energy (16.6%), utilities (10.48%), and communications services (10.13%).

The top five stocks are RBC (5.24%), **BNS** (5.06%), **Enbridge** (4.97%), TD (4.96%), and **BCE** (4.84%). ZDV's total return in 3.01 years is 28.05% (8.57% CAGR), although the payouts were steady.

Asset exposure

The difference between FIE or ZDV is asset exposure. The former invests in various assets, while the latter sticks to high-yield Canadian stocks. Deciding on which to pick depends on which exposure aligns with your risk appetite.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FIE (iShares Canadian Financial Monthly Income ETF)
2. TSX:ZDV (BMO Canadian Dividend ETF)

PARTNER-FEEDS

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2. Koyfin
3. Msn
4. Newscred
5. Quote Media
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