



2 Dividend-Paying ETFs You Can Buy in 2022

Description

Stock markets worldwide saw a considerable decline set in after the recent-most announcement of interest rate hikes by the U.S. Federal Reserve. Energy prices declined by sharp margins, leading to considerable weakness in the broader market. The **S&P/TSX Composite Index** is down by almost 10% from its June 7, 2022, level at writing.

The monumental interest rate hike by the U.S. Fed saw interest rates rise by their highest levels since 1994. There are increasing concerns about the Bank of Canada (BoC) following suit and delivering an interest rate hike of 75 basis points.

The Canadian stock market has performed better than equity markets in the United States. However, it remains volatile and unpredictable. The Canadian market might not be in bear market territory yet, but it could reach that point if the volatility and aggressive interest rate hikes continue.

Investing in dividend-paying [exchange-traded funds](#) (ETFs) could offer you a slight hedge against the risk that comes with stock market uncertainty. The right ETFs could help you diversify your asset allocation while generating a passive income through reliable monthly distributions.

Let's take a look at two dividend-paying ETFs you can consider adding to your portfolio for this purpose.

Vanguard Canadian High Dividend Yield ETF

Vanguard Canadian High Dividend Yield ETF ([TSX:VDY](#)) is one of Canada's most popular ETFs for dividend seekers. The fund boasts assets under management (AUM) worth \$1.79 billion as of June 10, 2022. It tracks the performance of the FTSE Canada High Dividend Yield Index, investing its assets to reflect the holdings of the underlying index.

The fund primarily invests in common stocks of Canadian companies that pay dividends, particularly those characterized by high dividend yields. It is a low-cost fund that comes with a management expense ratio (MER) of 0.22%, and it pays its investors their shareholder dividends each month. The fund's 12-month dividend yield at writing is 3.46%, making it an attractive income-generating asset to

consider in the current market conditions.

iShares Canadian Financial Monthly Income ETF

iShares Canadian Financial Monthly Income ETF ([TSX:FIE](#)) is another popular dividend ETF in Canada. The fund's goal is to maximize its investors' total returns while distributing reliable and stable monthly shareholder dividends. The fund does not track an underlying index. Its goal is to create and manage a diversified portfolio that offers investors targeted exposure to the Canadian financial services sector.

The fund's narrow focus on the financial services sector means you can use it to express a sector view. Boasting an AUM of \$861.84 million, the fund has a 12-month trailing dividend yield of 6.87% as of June 21, 2022. It is a costlier fund to own due to its actively managed status. FIE ETF comes with an MER of 0.81%. However, its high dividend yield might make it worth the additional cost.

Foolish takeaway

Investing in income-generating assets that spread your capital across a broad basket of securities offers you the benefit of diversification. Additionally, ETFs relieve you from the burden of managing a portfolio of assets yourself by allowing you to benefit from an investment product professionally managed by finance experts.

Vanguard VDY ETF and iShares FIE ETF could provide you with exposure to two diversified baskets of Canadian equity securities that can generate monthly income through regular and reliable high-yielding distributions.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FIE (iShares Canadian Financial Monthly Income ETF)
2. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)

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