2 Passive-Income ETFs to Buy in 2022

### Description

Creating a passive-income stream with your savings/investment funds is almost always a wise financial choice. If you can create a sizeable passive-income stream in your 30s, you can either elevate your lifestyle a bit or have more money at your disposal for saving and investing.

As a retiree, you can use passive income to augment the government pensions *without* depleting your retirement savings by making withdrawals or selling your shares to generate investment income.



And if individual stocks do not seem like a viable option, you can always look into ETFs that offer frequent and healthy distributions. There are two that you should consider starting with.

## Canadian preferred shares ETF

Canada has a healthy selection of reliable dividend stocks. But **Evolve Dividend Stability Preferred Share Index ETF** (TSX:PREF) takes it further. The ETF follows a Solactive index focused on preferred shares of Canadian giants like **Enbridge** and **Brookfield Asset Management**. It covers about 40 holdings, primarily financial, and makes monthly distributions.

The current distribution yield is 5.47% (annualized yield of 5%), and the ETF hasn't changed its payouts since 2019. This stability and consistency make the 0.45% management fee relatively more digestible. Another attractive feature of the ETF is its resilience and the capital-preservation potential it offers.

The ETF experienced a hard fall during the 2020 crash, but it did make a full recovery by mid-2021. It's experiencing another slump now, but it's likely to get back on track soon. This shows that you may not experience decent capital appreciation when you invest in this ETF, even if the market is aggressively bullish. But you will also not lose your savings to a bearish phase, unless you panic and sell.

## U.S. preferred shares ETF

One way to achieve further diversification in an ETF portfolio, which is already inherently diversified, is to focus on a different region. **BMO US Preferred Share Hedged to CAD Index ETF** (TSX:ZHP) offers you exposure to U.S. preferred shares from about 166 distinct holdings. The weight is relatively equally distributed, so the overall exposure is adequately spread out.

If you are worried about gaining exposure to the U.S. market and deem it riskier than the local market, the low- to medium-risk rating might put you at ease. The MER is higher compared to the Canadian preferred shares ETF (0.5%), but it also comes with a much more attractive annualized distribution yield of about 6.28%.

It's also a smart pick from a capital-preservation perspective. Since 2018, it has experienced just two major slumps. One was in 2020, and the fund's value recovered within a year. The second slump is currently underway, but the fund is expected to turn things around as soon as the market gains some upward traction.

## Foolish takeaway

The stocks vs. ETF debate has lost most of its vigor lately, thanks to highly inventive and generous dividend ETFs hitting the market. The ETFs also offer better stability and in-asset diversification, though it's a weakness from a capital-appreciation perspective.



A good idea would be to create a passive-income portfolio with both ETFs and stocks, with a good mix of growth potential, safety, and dividend-based return potential.

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