



Canadian Dividend Investors: 2 ETFs That Pay Monthly Income With High Yields

Description

Investing in [Canadian dividend stocks](#) is a sound long-term strategy, but there is a catch. For investors relying on portfolio withdrawals for income, the quarterly dividend payments can be less than ideal. If you require regular income, quarterly dividends might not hack it, potentially forcing you to sell shares.

An alternative [passive approach](#) to buying dividend paying stocks is via an [exchange-traded fund \(ETF\)](#). Both **iShares** and **Vanguard** provide a set of low-cost, high-liquidity ETFs that offer exposure to a portfolio of great Canadian dividend stocks. Both ETFs possess yields above 3% and payout distributions on a monthly basis. Let's take a look at my top picks today.

Vanguard option

My first pick, **Vanguard FTSE Canadian High Dividend Yield Index ETF** ([TSX:VDY](#)) passively tracks the performance of 39 Canadian stocks characterized by high dividend yields. VDY is heavily weighted in the financials (58%) and energy (23%) sectors, which makes sense given the abundance of large-cap Dividend Aristocrat stocks represented there. Dividend Aristocrats are stocks that have paid out and increased dividends for at least 20 years consecutively.

In terms of dividends, VDY currently pays a 12-month yield of 3.81%, which is significantly higher than what the S&P/TSX 60 pays. As mentioned earlier, this distribution is also paid monthly, making it good for consistent income. The management expense ratio is 0.22%, which works out to around \$22 in annual fees for a \$10,000 investment.

iShares option

My second pick is **iShares S&P/TSX Composite High Dividend Index ETF** ([TSX:XEI](#)), which passively tracks the performance of 76 Canadian stocks characterized by high dividend yields. Compared to VDY, XEI has more holdings and is better concentrated in the energy sector (32%) and less so in the financial sector (30%), making it more balanced and slightly more diversified.

In terms of dividends, XEI currently pays a 12-month yield of 3.90%, which is slightly higher than what VDY pays. As mentioned earlier, this distribution is also paid monthly, making it good for consistent income. The management expense ratio is also 0.22%, which is identical to VDY and, again, works out to around \$22 in annual fees for a \$10,000 investment.

The Foolish takeaway

Both ETFs make for fantastic core holdings for a dividend-oriented investors. In particular, retirees who depend on a steady stream of income might appreciate the monthly distributions of both ETFs. If I had to choose one over the other, my pick would be XEI for its higher number of holdings and more balanced composition. However, VDY makes for a fantastic low-cost holding as well. A great use for both is using them as [tax-loss harvesting](#) pairs, which is a way to claim a capital loss against future capital gains to reduce your tax liability.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)
2. TSX:XEI (iShares S&P/TSX Composite High Dividend Index ETF)

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Author
tdong

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