



## How to Earn a Safe 3.5% Yield in Your TFSA or RRSP with Very Low Risk

### Description

If somebody came up to me a year ago and offered a “low-risk 3.5% annual yield,” I would have dismissed it as a Ponzi scheme. Today, this has become a reality.

Thanks to numerous interest rate hikes from the Bank of Canada, high-interest savings accounts (HISAs) across Canada are now paying a very competitive yield at the overnight policy rate (3.25%) plus another 0.45% or so. Never has holding cash been a more attractive investment.

With stock and bond prices tumbling recently, few assets are as safe as cash. For retirees or investors with a low risk tolerance, a healthy allocation to cash makes sense. Holding it in a HISA can help investors earn a decent yield, ensuring that not too much value is lost to inflation.

A great way to access a HISA in a brokerage account (which can be for a [TFSA or RRSP](#)) is via various [exchange-traded funds, or ETFs](#) that invest your cash in HISAs with Schedule 1 Canadian banks. These ETFs are as low-risk as it gets and all yield above 3.5% right now.

### Purpose High Interest Savings ETF

**Purpose High Interest Savings ETF** ([TSX:PSA](#)) is a great way to hold cash while still earning monthly interest income. Right now, the gross annual yield of this ETF stands at 3.76%. If you invested \$10,000 into this ETF, you would receive \$376 annually before fees if held in a tax-advantaged account.

The ETF costs a management expense ratio (MER) of 0.17%. This is the percentage fee deducted annually from your investment. Subtracting the MER from the gross yield gives you the net yield, which is what you actually receive.  $3.76\% \text{ gross yield} - 0.17\% \text{ MER} = 3.59\% \text{ net yield}$ .

### Horizons High Interest Savings ETF

An alternative to PSA is **Horizons High Interest Savings ETF** ([TSX:CASH](#)). Like PSA, CASH also

holds deposits with Schedule 1 Canadian banks and pays out monthly income. Right now, CASH has a gross annual yield of 3.79%. If you invested \$10,000 into this ETF, you would receive \$379 annually before fees.

This ETF costs a management expense ratio (MER) of 0.13%, which is lower than PSA. As previously demonstrated, subtracting the MER from the gross yield gives you the net yield, which is what you actually receive.  $3.79\% \text{ gross yield} - 0.13\% \text{ MER} = 3.66\% \text{ net yield}$ .

## CI High Interest Savings ETF

Finally, investors can also buy **CI High Interest Savings ETF** ([TSX:CSAV](#)), which works the exact same way as PSA and CASH by providing safe monthly income with very low risk. Currently, CSAV has a gross annual yield of 3.72%. If you invested \$10,000 into this ETF, you would receive \$372 annually before fees.

CSAV costs a management expense ratio (MER) of 0.16%, which is lower than PSA but higher than CASH. Subtracting the MER from the gross yield would provide you with a healthy 3.56% net yield.

In today's uncertain and volatile market environment, ETFs offer a lower-risk investment model that delivers steady passive income. Furthermore, holding your earnings in a HISA provides a nice cushion against inflation.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:CSAV (CI High Interest Savings ETF)
2. TSX:CASH (Horizons High Interest Savings ETF)
3. TSX:PSA (Purpose Fund - Purpose High Interest Savings ETF)

### PARTNER-FEEDS

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