



How I'd invest \$1,000 in December to Make Easy Passive Income

Description

The 2023 [Tax-Free Savings Account](#), or TFSA, contribution limit is out, and it's been bumped up to a cool \$6,500. For many Canadians, consistently maxing this account out can set you up for a rewarding and well-funded retirement plan.

Investments in a TFSA are not taxed, and that makes this account a great place to hold income-generating assets. If your goal is passive income, holding investments like [dividend stocks](#) in a TFSA can be a good way of generating regular tax-free income.

However, holding just a few stocks isn't the greatest for [diversification](#). My suggestion is to use various income-oriented, [exchange-traded funds \(ETFs\)](#) that hold a portfolio of income-generating assets. This approach can be less volatile and better for the long term.

Let's look at my top two picks today that I would invest \$1,000 in for easy passive income!

BMO Canadian High Dividend Covered Call ETF

BMO Canadian High Dividend Covered Call ETF ([TSX:ZWC](#)) starts by investing in a portfolio of quality, high-yielding Canadian dividend stocks. Then the ETF sells covered call options. By selling these options, the ETF converts some of its future upside potential into an immediate cash premium.

The proceeds from these option sales are paid out to investors on a monthly basis. As a result, ZWC pays a very high dividend. Currently, the ETF has an annualized distribution yield of 6.58%, which rivals some of the larger energy stocks but with less risk, as ZWC is more diversified.

The annualized distribution yield is the percentage an investor can expect to receive in a year if the most recent dividend remains consistent at the current share price. It's not precise, but it's a good approximation. ZWC charges a management expense ratio, or MER, of 0.72%.

BMO Covered Call Dow Jones Industrial Average Hedged to

CAD ETF

BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF ([TSX:ZWA](#)) might be a good alternative for investors desiring exposure to U.S. blue-chip stocks. ZWA holds 30 stocks that track the Dow Jones Industrial Average index and sells covered call options on it.

As with ZWC, proceeds from the covered call options are paid out to ZWA investors on a monthly basis. If you want U.S. sources of income to diversify a Canadian-heavy portfolio, ZWA could be ideal. Currently, the ETF has an annualized distribution yield of 6.28%.

Because ZWA holds U.S. stocks, the ETF also implements currency hedging to protect your investment against fluctuations in the CAD-USD pair. If the Canadian dollar appreciates against the U.S. dollar, the currency hedge prevents ZWA from losing additional value. ZWA also charges a MER of 0.72%.

The Foolish takeaway

Investors looking for a hands-off passive-income investment with high yields and monthly dividends could do worse than ZWC or ZWA. Both ETFs offer greater diversification compared to individual dividend stocks and are professionally managed on your behalf by **BMO**.

CATEGORY

1. Dividend Stocks
2. Investing

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1. TSX:ZWA (BMO Covered Call Dow Jones Industrial Average Hedged to CAD ETF)
2. TSX:ZWC (Bmo Canadian High Dividend Covered Call ETF)

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