2 Ways to Score a Richer Monthly TFSA Payout

Description

Investing in Canadian dividend stocks is great and all, but there is a hidden catch: many of these stocks pay dividends on a quarterly basis, four times a year. If you're looking for more consistent monthly income, investing in Canadian dividend stocks might not be ideal.

The ideal solution here is an exchange-traded fund (ETF) that holds a portfolio of high-yielding assets and pays monthly income. Keeping these types of ETFs in a tax-free savings account (TFSA) is ideal as it eliminates your tax drag. Let's take a look at my top two picks from **Vanguard** today.

Canadian dividend stocks

A reliable monthly paying ETF is the Vanguard FTSE Canadian High Dividend Yield Index ETF (TSX:VDY). VDY holds a portfolio of 47 large-cap, blue-chip Canadian dividend stocks This passive index ETF is mostly concentrated in Canadian financial and energy sector stocks, which both provide strong yields.

Currently, VDY pays a 12-month yield of 4.15%. This is the percentage an investor would have received if they'd held the ETF over the last year based on the ETFs current net asset value (NAV). Keep in mind that this metric is backwards-looking and can change in the future as the ETF fluctuates up or down.

In terms of fees, VDY charges a management expense ratio of 0.22%. This is the annual percentage fee deducted from your investment. For example, a $10,000 investment in VDY would incur around $22 in annual fees. Overall, 0.22% is low, especially compared to many mutual funds.

Canadian REITs

Real estate investment trusts, or REITs, are a favourite among Canadian investors seeking passive income. However, buying individual REITs comes with greater risk, while buying enough for diversification can be hard to manage. The solution here is a REIT ETF.

My REIT ETF of choice is the **Vanguard FTSE Canadian Capped REIT Index ETF** (TSX:VRE). VRE currently holds a portfolio of 19 Canadian REITs and real estate service companies weighted by market cap. It's an opportune way to gain passive exposure to the Canadian real estate sector.

Currently, VRE pays a 12-month yield of 3.78% and also makes monthly payouts. In terms of fees, VRE is more expensive than VDY, with a management expense ratio of 0.38%. However, the two ETFs have virtually no overlap, making them good complements for each other.

If you're looking for tax-free income while indulging in these high yield ETFs, remember, your 2023 TFSA limit is $500 more than the TFSA contribution limit in 2022. In addition to the $6,500 limit this year, you can roll over any unused TFSA contribution from one year into the following year.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:VRE (Vanguard FTSE Canadian Capped REIT Index ETF)

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