2 Real Estate ETFs That Can Carry You to Retirement

Description

Passive income is a fantastic way to build wealth. It could be defined as a way to earn money while not actually working. Passive income can be created in many ways, but real estate investing is one of the most popular.

The idea of passive income is one that should be appealing to any investor. When being paid passive income, you are technically being paid to sleep.

Downsides of real estate investing

With real estate investing, there are many ways to build passive-income streams. In fact, there are so many that it can be difficult to choose which way works for you. Some methods require you to be a landlord, which isn't true passive income and can come with a lot of issues. It can require constant work and a lot of your time just to break even.

By far the easiest way to get into real estate investing is by buying real estate investment trusts, or REITs. There are many REITs to pick from, and all of them have different strategies for creating wealth.

Picking individual REITs can be a daunting task, and it may seem overwhelming to pick a winning one. Although quality REITs do exist, like **Choice Properties** and **SmartCentres**, you can never guarantee they'll keep winning.

Solution to real estate investing

The issue of picking REITs and creating reliable passive income is why I want to introduce you Fools to two of my favourite REIT exchange-traded funds (ETFs).

CI First Asset Canadian REIT ETF (TSX:RIT) and **BMO Equal Weight REITs Index ETF** (TSX:ZRE) are two REIT ETFs that aim to do similar things through slightly different strategies. They both pay respectable dividends, with CI First Asset's Canadian REIT ETF (CI) paying a 4.3% yield and BMO's

Equal Weight REITs Index ETF (BMO) paying 4.1%.

CI has a slightly higher management expense ratio (MER) of 0.9% compared to BMO's MER of 0.61%.

Investing in CI will offer you an actively managed fund, which has a history of higher returns and a high yield. It also comes with a slightly lower beta of 0.51 compared to BMO's 0.58.

CI has the ability to move in and out of REITs as it sees fit, which can offer downside protection as well as more upside. The history of higher returns, lower beta, and higher yield seem more than enough for me to justify the higher MER.

BMO aims to match the performance of the Solactive Equal Weight Canada REIT Index. While this has some benefits, such as having equal exposure to all sectors of REITs, the risk of missing potential gains may outweigh the benefits to potential investors.

Conclusion

Both REIT ETFs have great potential for growth. If you're looking for higher passive income, then BMO may be for you, considering its lower MER. Therefore, it works out to pay slightly more cash every year. However, CI is, overall, a better pick due to its lower beta, higher historic growth, and ability to change asset allocation. As always, these are not recommendations. Take this information as a start to your own research.

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