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Bonds Not Cutting It? Look to Dividend Growth ETFs for Yield

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Income-minded investors who are venturing into other assets to generate higher yields should be wary of taking on too much risk to squeeze out that extra return. Instead, consider exchange traded funds that track quality, dividend growing stocks.

“In this environment, dividend stocks are a worthy alternative to bonds,” Kashif Ahmed, president of American Private Wealth, told InvestmentNews. “However, you need to recognize that not all dividends are created equal, and there is a lot of financial voodoo going on at some companies that are trying to manufacture a dividend.”

With yields on benchmark 10-year Treasury notes eking out a paltry 1.57%, more investors are turning to the equities market to generate income. However, it is important to maintain the right exposure.

“It is a very crowded trade to keep chasing the higher-yielding names and sectors,” Jim Russell, principal and portfolio manager at Bahl & Gaynor, told InvestmentNews. “We prefer to pursue slightly higher dividend yields with a focus on patterns of consistent dividend growth. That's the gift that keeps on giving."

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Looking at the ETF space, investors have a number of options to gain broad exposure to a growth of consistent dividend growers.

For instance, the **Vanguard Dividend Appreciation ETF (NYSEArca: VIG)** tracks U.S. stocks that have increased dividends on a regular basis for at least 10 consecutive years and has a 2.16% 12-month yield.

The **Schwab US Dividend Equity ETF (NYSEArca: SCHD)** includes 100 stocks based on strong fundamentals, dividend yields and consistent dividend payouts for at least 10 consecutive years, and it has a 2.78% 12-month yield.

The **SPDR S&P Dividend ETF (NYSEArca: SDY)** holds firms that have a minimum dividend increase streak of 20 years for inclusion and shows a 2.39% 12-month yield.

The **ProShares S&P 500 Aristocrats ETF (NYSEArca: NOBL)** only includes companies that have increased their dividends for at least 25 consecutive years and offers a 1.78% 12-month yield.

The **WisdomTree U.S. Quality Dividend Growth Fund (NasdaqGM: DGRW)** includes companies with high long-term earnings-growth forecasts for the next three to five years and weights components based on the value of dividends they are expected to pay over the next year. DGRW has a 2.18% 12-month yield.

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While these dividend growth ETFs may not be generating any stellar high yields, they do provide consistency and a reliable source of growth.

“The same way a bond investor seeing a 7% or 8% yield should be asking questions about whether payments can be made, if your yield is too high, either the dividend is at risk or the stock price has just fallen,” Todd Rosenbluth, director of mutual fund and ETF research at S&P Global Market Intelligence, told InvestmentNews.

*For more information on dividend stocks, visit our **dividend ETFs categ**ory.*

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