



PRO and CONS of Weekly Dividend ETFs

This new year has brought on several new ETFs (Exchange Traded Funds) paying Weekly Dividends. One that pays twice a week came out but it pays yearly about 1% so we will not discuss it. Most of these [ETFs are using covered call options](#) to accomplish these huge returns.

These returns seem too good to be true, so be sure to include some stoploss orders to prevent huge market downturn.

Weekly Dividend ETFs: A Double-Edged Income Strategy

In a world where income investing is evolving rapidly, **weekly dividend ETFs** have emerged as a novel way to generate frequent cash flow. Unlike traditional ETFs that pay dividends monthly or quarterly, these funds distribute earnings every week—appealing to investors who crave regular income. But is this strategy truly sustainable, or just a flashy gimmick? Let's break down the pros and cons.

Pros of Weekly Dividend ETFs

1. Consistent Cash Flow

Weekly payouts offer a steady stream of income, ideal for retirees, freelancers, or anyone managing short-term expenses. This cadence can help smooth out budgeting and reduce reliance on lump-sum distributions.

2. Accelerated Reinvestment

Frequent dividends allow investors to reinvest more often, potentially enhancing compounding returns. This can be especially powerful in tax-advantaged accounts like IRAs or 401(k)s.

3. Psychological Satisfaction

There's something gratifying about seeing money hit your account every week. For some, this regularity reinforces financial discipline and engagement with their portfolio.

4. Options-Based Yield Enhancement

Many weekly dividend ETFs use covered call or options strategies to generate income. These can boost yields significantly—sometimes into double digits—especially in volatile markets.

✗ Cons of Weekly Dividend ETFs

1. High Expense Ratios

To support frequent payouts and complex strategies, many of these ETFs charge higher fees—often exceeding 1%. These costs can erode long-term returns, especially in flat or declining markets.

2. Yield Volatility

Weekly distributions may fluctuate more than monthly or quarterly ones. Investors expecting stable income might be disappointed by inconsistent weekly amounts.

3. Complexity and Risk

Options-based ETFs are not for the faint of heart. They involve sophisticated strategies that can underperform in certain market conditions, especially during sharp rallies or downturns.

4. Tax Inefficiency

Frequent payouts can trigger regular taxable events in non-retirement accounts. This could lead to higher short-term capital gains taxes, reducing net income.

5. Liquidity and Size Concerns

Many weekly dividend ETFs are relatively new and small in terms of assets under management. This can lead to wider bid-ask spreads and lower trading volumes, making them less efficient to buy or sell.

Final Thoughts

Weekly dividend ETFs offer a compelling mix of frequent income and high yields, but they come with trade-offs in complexity, cost, and tax efficiency. They're best suited for investors who understand options strategies and are comfortable with active portfolio management.

If you're considering adding one to your portfolio, ask yourself:

- Do I need weekly income, or would monthly suffice?
- Am I comfortable with options-based strategies?
- Is this ETF tax-efficient for my account type?

To be totally honest, I am not feeling safe using these, but I still have some money invested in them. The Etf : ULTY was showing a 40% weekly return earlier this year. However after a few months, I found that the \$11.75 per share I paid was now worth only \$6.75. This was due to them pulling the dividend out of Net Asset Value when options were not paying as expected. While not losing any money, the net return for the year was only 12.3%. Be sure to watch that the NAV is not decreasing. And as always, be super cautious using any Crypto currency ETF. The volatility is probably not worth the reward. Be sure to use Stop Loss orders if you buy any of these.

Here are the key disadvantages of the **ULTY – YieldMax Ultra Option Income Strategy ETF**, based on recent expert analysis and fund disclosures:

⚠️ Disadvantages of ULTY ETF

1. High Volatility

ULTY uses aggressive options strategies across multiple underlying stocks. This can lead to significant price swings, making it unsuitable for conservative investors [Alinvest 24/7 Wall St.](#)

2. Limited Upside Potential

The fund caps gains from the underlying stocks due to its covered call strategy. If the market rallies, ULTY may underperform compared to traditional equity ETFs [YieldMax ETFs](#).

3. NAV Erosion Risk

Because ULTY pays out large weekly distributions, often including return of capital, its net asset value (NAV) can erode over time. This means your principal investment may shrink even as you receive income [Alinvest Morningstar](#).

4. Tax Inefficiency

Frequent distributions can trigger regular taxable events, especially in non-retirement accounts. This may lead to higher short-term capital gains taxes [etfencyclopedia.uk](#).

5. High Expense Ratio

ULTY's active management and complex options strategies come with higher fees, which can eat into returns over time [etfencyclopedia.uk](#).

6. Sustainability Concerns

Some analysts question whether ULTY's ultra-high yield—often exceeding 100% annualized—is sustainable long-term. Much of the payout may be return of capital rather than true income [Morningstar](#).

Here's a curated list of some of the **best weekly dividend ETFs to consider buying in 2025**, based on recent performance, yield, and strategy [24/7 Wall St. Stock Analysis Buy Me a Coffee](#):

 Top Weekly Dividend ETFs to Buy

ETF Ticker	Fund Name	Weekly Dividend Yield (%)	Strategy Type
TSYY	GraniteShares YieldBOOST TSLA ETF	164.90%	Options-based (TSLA)
ULTY	YieldMax Ultra Option Income Strategy ETF	130.06%	Multi-stock options
USOY	Defiance Oil Enhanced Options Income ETF	116.16%	Energy sector options
YETH	Roundhill Ether Covered Call Strategy ETF	94.14%	Crypto (ETH) options
YMAX	YieldMax Universe Fund of Option Income ETFs	67.82%	Diversified options
IWMY	Defiance R2000 Enhanced Options Income ETF	64.40%	Small-cap options
MST	Defiance Leveraged Long Income MSTR ETF	63.13%	Crypto equity options
YMAG	YieldMax Magnificent 7 Fund of Option Income ETFs	50.68%	Tech mega-cap options
YBTC	Roundhill Bitcoin Covered Call Strategy ETF	49.95%	Crypto (BTC) options
XBTY	GraniteShares YieldBOOST Bitcoin ETF	49.70%	Crypto (BTC) options

These yields are annualized based on weekly distributions. Always verify current data with the fund provider before investing.

How to Choose the Right Weekly Dividend ETF

- **Risk Tolerance:** Crypto and leveraged ETFs (like YETH, MST) are more volatile.
- **Sector Exposure:** Choose based on your outlook—tech (YMAG), energy (USOY), or diversified (YMAX).
- **Tax Strategy:** Consider holding these in tax-advantaged accounts to minimize tax on frequent payouts.
- **Expense Ratios:** Most of these ETFs have higher fees due to active options strategies.

These are just a list of high paying weekly dividend payers. You may want to try a few, but be super cautious. Sometimes things that look too good to be true are just that. Staying slow and steady with standard Dividend ETFs and Dividend Paying Stocks and Mutual Funds should be the majority of your holdings.

Consult a broker or financial consultant before making any investment decision.

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