4 Conservative ETFs for Your RRSP in 2014

Description

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The March 3 deadline to contribute to your RRSP is approaching. And this month millions of Canadians are taking the opportunity to revisit their retirement plans and retune their investment strategies. Now many are wondering where is the best place to stash their RRSP contributions.

My favourite idea is exchange traded funds, or ETFs. Because these investments represent a basket of assorted securities, investors can quickly diversify their portfolios and reduce risk all within a single transaction and usually for a lower price than comparable mutual funds. So in preparation for this year's RRSP deadline, here are four conservative ETFs to consider adding to your portfolio.

iShares S&P/TSX Canadian Dividend Aristocrats Index Fund (TSX:CDZ)

This ETF is a single-ticket solution for investors who want exposure to dividend-paying stocks. To be added in this index every company must have increased ordinary cash dividend for at least five consecutive years. This is a very high standard that ensures only the highest quality companies are included. As a result the ETF owns many Canadian stalwarts including **Enbridge**, **Tim Horton's** and **Imperial Oil**.

iShares DEX All Corporate Bond Index Fund (TSX:XCB)

Fixed-income investments deserve a place in every investor's portfolio. However, interest payments are taxed significantly higher than dividends or capital gains. That's why it makes so much sense to hold fixed-income investments inside a tax-sheltered account like an RRSP or TFSA.

The DEX All Corporate Bond Index Fund gives exposure to nearly 300 Canadian corporate bonds across different sectors, maturities and credit quality. By buying high-quality corporate debt from companies like **Royal Bank**, **Telus**, and **Shaw Communications**, investors have an opportunity to boost yield in the current low interest rate environment.

BMO S&P 500 Hedged to CAD Index ETF (TSX:ZUE)

The weak Canadian dollar has put an end to the cross-border shopping tradition of many Canadians. But that doesn't necessarily have to apply to investors. As the largest financial market in the world, the United States provides a wide variety of investment opportunities that are too good to pass up.

There's nothing fancy here. The BMO S&P 500 Hedged to CAD Index ETF has been designed to replicate, to the extent possible, the performance of the S&P 500 for the low price of 0.15% annually. As you might expect the fund invests in great American companies such as **Coca Cola**, **Microsoft**, and **McDonald's** all while hedged to volatile currency exchange rate fluctuations.

iShares MSCI EAFE Index Fund (CAD-Hedged) (TSX:XIN)

The biggest problem lurking in many Canadian portfolios? They're over invested in Canada and the United States. That's no surprise. These are the markets we all know best. But as a result of this investing xenophobia, many Canadians are missing great opportunities internationally.

The iShares MSCI EAFE Index Fund offers a quick shot of diversification outside of North America. The fund is focused on developed markets in Europe, Australasia and the Far East while completely hedged to fluctuations in the Canadian Dollars. Through this ETF, investors get to own a piece of many world-class businesses including **Nestle**, **Toyota Motors**, and **Vodafone**.

Foolish bottom line

As a final note, it's important to remember that there is no reason to make any rushed investment decisions when it comes to your RRSP. Yes, there is a deadline to make your annual contribution. But if you're unsure where to stash your RRSP cash, simply consult your investment policy and wait to decide the right investments for your portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CDZ (iShares S&P/TSX Canadian Dividend Aristocrats Index ETF)
2. TSX:XCB (iShares Canadian Corporate Bond Index ETF)
3. TSX:XIN (iShares MSCI EAFE Index ETF (CAD-Hedged))

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