



5 ETFs to Start a College Grad's Retirement Fund

Description

A recent lunch with a friend who just graduated from college turned into a conversation about how to start investing for what will be her retirement in—gulp—about 50 years.

Nerdy? Yes. Smart? Definitely. Like so many of her peers, it's not easy to look out on the financial landscape beyond next week, let alone decades from now. But the sooner young investors get started, the better to take maximum advantage of compounding.

That said, building a diversified portfolio when you're starting out is tough. That's why I love exchange traded funds (ETFs). These nifty little products allow you to quickly diversify your portfolio, while paying rock bottom fees.

This is also the reason why I own so many myself. So, in the spirit of our discussion, I came up with five great ETFs for new college grads.

Stock	Net Assets	Five-Year Return	MER
iShares S&P/TSX Capped Composite Index	\$2.11B	7.17%	0.05%
iShares MSCI World Index	\$336.21M	14.45%	0.46%
iShares Canadian Universe Bond Index	\$1.88B	5.71%	0.33%
iShares S&P/TSX Capped REIT Index	\$1.32B	12.92%	0.60%
iShares Gold Bullion ETF	\$242.40M	0.95%	0.55%

Source: Blackrock Asset Management Canada

Stocks are a way for individuals to own parts of businesses. A share of stock represents a proportional share of ownership in a company. As the value of the company changes, the value of the share in that company rises and falls. Yes, stocks are volatile. However, no other asset class has offered better returns in the long haul than equities.

The **iShares S&P/TSX Capped Composite Index** ([TSX:XIC](#)) is the best way to get started. In one shot, you can buy a basket of Canada's largest companies. This fund holds many businesses that I'm sure you've heard of, including **Telus**, **BlackBerry**, and the **Royal Bank of Canada**.

Unfortunately, Canada's stock market is heavily centred on the mining, energy, and financial sectors. To diversify, you will want to go abroad. The **iShares MSCI World Index Fund** ([TSX:XWD](#)) gives you international exposure without renewing your passport.

Bonds come in various forms. They're known as fixed-income securities because the amount of income the bond generates each year is "fixed," or set, when the bond is sold. While bond returns are significantly lower than equities, they tend to zig when the stock market zags.

That gives many people (myself included) the stomach to hold on during those days when the TSX plunges by 500 points. The **iShares Canadian Universe Bond Index Fund** ([TSX:XBB](#)) is a cheap and easy way to own the entire asset class. It consists of top-quality bonds issued by corporations, provinces, and the Government of Canada.

Real estate investment trusts, or REITs, give you all the benefits of owning rental properties, but without any of the hassle. These firms buy real estate, collect rent from tenants, and pass on the income to investors. For new graduates who do not own a house, these are a great way to get your feet wet in real estate.

The **iShares S&P/TSX Capped REIT Index Fund** ([TSX:XRE](#)) is an affordable way to break in. The ETF owns a basket of the 14 largest REITs in Canada. This allows you to quickly diversify your portfolio with different geographies and property types.

Finally, the most controversial name on this list is gold. As regular readers are probably aware, I'm not a big fan of storing much of my wealth in shiny pieces of yellow metal. Sure, you can fondle it, but commodities do little to grow your real wealth over the long haul, especially compared to owning a piece of a productive business.

That said, gold has almost no correlation to any other asset class. Historically, having a sizable chunk of your portfolio in gold has done a great job at reducing volatility without eating into returns all that much. Owning ETFs like the **iShares Gold Bullion Fund** ([TSX:CGL](#)) is a convenient way to get in.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:CGL (iShares Gold Bullion ETF)
2. TSX:XBB (iShares Core Canadian Universe Bond Index ETF)
3. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
4. TSX:XRE (iShares S&P/TSX Capped REIT Index ETF)

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