Lazy Retirees: A Top-Performing BMO ETF to Own for the Next 30 Years

Description

Volatility is the bane of retirees, or at least that's what many of us are told. After hanging up the skates from the workforce, there really isn't a backup plan for sizeable investments that suddenly go sour.

That's why a vast majority of new retirees think it's necessary to immediately flock towards "risk-free" instruments with various bond funds, annuities, GICs, cash held in "high interest" savings accounts, or other low-return investment vehicles.

While it is a wise decision to play it safer when you're retired, it is possible to be playing it *too* safe. If you've saved up a nice nest egg and are planning to retire at 60, you can realistically expect to live another three decades, if not more.

While your pension is a nice supplement to your investment income in retirement, you need to remember that by retiring earlier, your pension will be smaller and won't be as meaningful in the latter stages of your retirement years.

Add contingent expenses into the equation and it's clear that today's overly conservative retirees are going to need to re-think their decision to check out of the equity markets as a whole. Not taking any risk may actually be the riskiest option for a newly-minted retiree who ends up living past 100.

Fortunately, there is an option for retirees who desire growth minus the excessive volatility that comes with the stock market. Enter the **BMO Low Volatility Canadian Equity ETF** (TSX:ZLB) and various other retiree-friendly ETF products (like the covered call roster of high-income ETFs) that aim to "break the rules" claiming you need to take higher risks to obtain higher rewards.

In its current state, **Bank of Montreal**'s line of ETFs provides a one-stop shop of investments that appear to tilt the risk-reward trade-off on the side of investors.

Many of the ETFs have the goal of achieving the highest risk-adjusted returns rather than just the highest return.

The result?

Investments that allow many of today's investors to increase their Sharpe Ratios by lowering their portfolio's correlation to the broader markets (or degree of volatility, which is perceived as risk) without damaging returns over the long term.

The results speak for themselves.

The ZLB, a 2.36% yielding basket of high-quality, low-beta Canadian securities, has managed to blow the TSX index out of the water while giving the **S&P 500** a good run for its money since the ETF's inception. The outperformance relative to the benchmark is remarkable because it shows that not only can one not hurt their returns by taking on less volatility (or perceived risk), but one can actually do *better* than the average.

The ZLB has consistently performed in the top quartile of its peer group six out of seven years between 2012 and 2018. That's hats off to the managers behind BMO that are obliged to stick with a "smart beta" strategy that's essentially set in stone.

With a 0.39% MER, the ZLB is a low-cost option that's not just great for retirees looking for better returns and lower volatility, but for anybody who wants to construct a portfolio that seeks to maximize returns relative to the amount of risk borne.

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