Retirement Savers: 3 Ultra-Safe ETFs for Your RRSP or TFSA

Description

If you're a retirement saver looking for safe investments, ETFs are some of the best bets.

Offering built-in diversification and extremely low fees, they're safer than stocks and cheaper than typical mutual funds.

Among ETFs, the cheapest and best diversified are index ETFs. By simply investing in equally weighted shares on an index, they forego the need for active management. This simultaneously reduces MER and maximizes diversification.

If you're looking to get some quality ETFs into your RRSP or TFSA, the following are three excellent candidates to consider.

iShares Core Capped S&P/TSX Composite Index ETF

iShares Core Capped S&P/TSX Composite Index ETF (TSX:XIC) is a **Blackrock** index fund that tracks the S&P/TSX Composite Index; its holdings represent 70% of the market capitalization on the TSX.

This isn't exactly the same as buying the market (the composite excludes very small-cap stocks), but it's extremely close.

By buying XIC, you immediately get a basket of about 250 stocks. The sectors with the heaviest weightings include banks, energy and telecommunications. The TSX index has a pretty high average dividend yield compared to U.S. indices; as a result, XIC delivers a respectable amount of income.

iShares S&P/TSX 60 Index ETF

iShares S&P/TSX 60 Index ETF (TSX:XIU) is another Blackrock fund that aims to replicate TSX stocks. However, instead of following the S&P/TSX Composite, this one tracks the TSX 60, which only includes the largest 60 stocks on the TSX by market cap.

The fact that XIU focuses on large caps gives it some advantages over XIC.

First, its dividend yield is slightly higher (2.78%) than its more popular sibling (2.53%).

Second, it has enjoyed a slight performance advantage historically over XIC.

Canada has not produced as many small-cap success stories compared to U.S. markets, and its large caps have done a little better than the TSX as a whole. That's a slight advantage for XIU. However, it should also be noted that with XIU, you're also getting somewhat less diversification than with XIC.

Vanguard S&P 500 Index ETF

Vanguard S&P 500 Index ETF (TSX:VFV) tracks the S&P 500, the world's most watched stock market index.

Over the years, the S&P 500 has easily beaten both the TSX and the TSX 60, thanks to the preponderance of growth success stories in the United States.

The U.S. version of Vanguard's S&P 500, VOO, is one of the most widely owned funds in the world. VFV, the Canadian version, is the exact same portfolio but traded on the TSX. This means you can buy it without dealing with currency exchange rates. However, if you buy the U.S. version, you'll get to hold on to a larger portion of your dividends in an RRSP, so that's worth paying attention to.

VFV has a dividend yield of 1.34% at current prices, which is not as high as the Canadian ETFs mentioned. However, VFV has much stronger historical capital gains.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BLK (BlackRock, Inc.)
2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
4. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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andrewbutton