



## Forget Mutual Funds! 2 BMO ETFs to Help TFSA Investors Retire in Comfort!

### Description

Canada has a mutual fund problem.

Despite the rise of a wide range of new cost- and tax-efficient investment products, Canadians still pay some of the highest mutual fund fees on the planet for investment products that aren't necessarily worth paying up for.

While do-it-yourself (DIY) investing is starting to pick up traction (ETFs sales are beginning to outsell mutual funds), many uninformed Canadian investors who'd rather delegate their investments to a financial advisor still may still be unaware of the true long-term costs of investing in those actively managed mutual funds with management expense ratios (MERs) north of the 2% mark.

While it is easy to delegate responsibilities to a so-called professional, the associated costs and the priorities of the advisor may not be as they seem to prospective Canadian investors. Simply put, many high-fee mutual funds are sold, not actively sought.

You've probably seen those dramatic Questtrade commercials that claim some investment products could eat into a third of one's retirement. While indeed alarming, such commercials ought to be considered as a public service announcement as much as an ad for a brokerage platform.

Shopping around for funds with MERs may seem like you're scraping the bottom of the barrel. What's a 1.5% difference in MER going to make, anyway?

Through the power of long-term tax-free compounding, such a seemingly small 1-1.5% difference in fees could be the difference between a frugal (or delayed) retirement and a [comfortable](#) one.

Consider **Bank of Montreal's** lineup of low-fee ETF products. They're the perfect remedy to the mutual fund problem and can claw back the would-have-been commissions paid to "professional" fund managers. Here are two of my personal favourites for 2020 and beyond.

## BMO Low Volatility Canadian Equity ETF

**BMO Low Volatility Canadian Equity ETF** ([TSX:ZLB](#)) has arguably been one of BMO's best ETFs over the years. The basket of low-volatility securities has a modest 2.4% yield and a 0.76 beta, which helps investors lower their correlation to the broader markets to achieve a better Sharpe ratio — a measure of risk-adjusted returns.

The ETF is around 96% Canadian and is perfect for one's TFSA given that foreign dividend withholding taxes are unlikely to make a significant dampener of longer-term total returns.

With a heavy weighting in utilities, consumer defensives, and telecom sectors (which account for over 40% of the ETF's holdings), the ZLB is a one-stop-shop way to play defence without compromising on the return front thanks to ZLB's investment approach. Not only do candidates have to exhibit low volatilities, but they need to be quality securities that have a proven track record of excellent performance over prolonged periods of time.

That means dividend growth, [dividend stability](#), and a solid forward-looking growth trajectory for each name within ZLB. Given the somewhat active management, a 0.39% MER, I believe, is a bargain. Had ZLB been a mutual fund, I'm sure a salesperson would have more than enough to justify a 2.6% MER price tag.

## BMO MSCI Canadian ESG Leaders Index ETF

For those looking to minimize their fees, index ETFs are your best bet. And as of this week, Canadian investors now have access to an ESG-friendly play in **BMO MSCI Canadian ESG Leaders Index ETF** ([TSX:ESGA](#)), which is an index ETF that goes above and beyond the plain-vanilla **TSX Index**.

ESG (environment, social, and corporate governance) investing has been all the rage, and as millennials continue to seek to drive for change with their investment dollars, firms with high ESG ratings are indeed worth more in an era that values social responsibility.

MSCI ESG ratings help investors quantify the magnitude of social responsibility, and the ESGA is a one-stop shop for investors who care about socially responsible investing. Best of all, one doesn't need to pay a fortune in fees to get the leaders that are driving for a better tomorrow.

ESGA has a mere 0.17% MER, making it one of the cheapest options for Canadian investors who care just as much about making an impact as they do their personal returns.

Stay hungry. Stay Foolish.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:ZLB (Bmo Low Volatility Canadian Equity ETF)

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