Millenials: 1 Core ETF You Have to Own

Description

The beautiful part about investing is the fact that there are numerous ways to make money in the market. Your risk profile, lifestyle, and job type can all contribute to the type of investor you want to be.

In this article, I want to focus on those investors who just wish to put money without stressing about the global economy or individual balance sheets.

People who fit into this category would be those who are not concerned about generating income — the young professionals and family types, those focused on building their careers as their main source of income.

These young professionals have enough on their plate without doing the added research to monitor your individual company investments. Perhaps they're in the early stages of investing and are only interested in building savings for a retirement that's years away.

If you fit this description, it might be a good idea to begin building a base of savings using index exchange-traded funds (ETFs). Market-tracking funds are an excellent way to begin building savings.

While they aren't going to be pumping out massive income and won't be overly exciting, they will help you establish a savings base that will help you take advantage of the miracle of compound interest.

Choosing a fund

There are a ton of funds that you can buy to gain exposure to stocks. One of the best places to start is to find an **S&P 500** fund that is good for you.

As the name indicates, the S&P 500 holds hundreds of the biggest and best companies in the world, including such companies as **Apple Inc.** and **Johnson and Johnson**, global giants that have been around for decades.

While you certainly could buy these companies individually, you'd have to overcome a number of hurdles. First, these stocks cost hundreds of dollars per share in some cases: Apple and JNJ trade at about $320 and $150 each at the moment.

Then there are the potentially hefty trading fees depending on the account you have. Finally, these trade in U.S. dollars, so you would lose money to exchange rates as you purchase the shares.

Buying a fund like the **Vanguard S&P 500 ETF** (TSX:VFV) solves all of these problems for you. The ETFs' units (similar to shares) trade on the **Toronto Stock Exchange**, so you can buy them in Canadian dollars.

The fund does all the leg work for you, so you can just own the index and not worry about exchanging money or choosing an individual stock to own.

Nothing is free, certainly, so there is a price to be paid. The good news is that this fee is very low. The management expense ratio is very low at 0.08%, which is practically nothing compared to the fees charged by many mutual funds that offer a similar product. Vanguard is a massive company with a reputation for being a leader in low fees, making this an excellent long-term investment.

If you do like to get income from your investments, there is also a small dividend yield on the fund. The dividend is essentially the aggregate yield of all the companies in the index minus fees.

As many of the companies in the index pay a growing yield, you can expect that the fund's yield will grow over time. At the present time, the yield is approximately 1.21%.

Build a solid core

Using the strategy of building a solid core of ETFs will help your savings grow over time with little effort on your part. You have the opportunity to buy into hundreds of companies in the S&P 500, growing your wealth along with the market as a whole.

If it's early in your career, you're just starting a family, and you have a lot of bills to pay, you don't want to waste your time reading daily about companies and the state of the global economy.

Investing in a fund like VFV will give you great returns while you focus on your life, your career, and your family.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)

PARTNER-FEEDS

1. Business Insider

2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

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