



## Are You a Market Pessimist? 3 ETF Options for Your Cash

### Description

You are going to need some cash if you are [a contrarian investor](#) in the rally. It is tough to watch your stocks go down without having the cash to buy. The problem is, in this period of newly destroyed interest rates, it is very hard to keep your money sitting in cash. That is, of course, the point. Governments want you to spend and invest. This makes keeping your money in cash a very unattractive option.

If you decide to keep money in cash, you need to know of great places to put it. There are really only a few options if you want to generate yield on your cash. There are ETFs aimed at mimicking high-interest savings accounts (HISAs), mutual fund HISAs that are eligible for Canadian deposit insurance, and, of course, simple cash holdings.

### Cash ETFs

In the past, I have used several [different ETFs](#) for holding cash. The three best ones that I have found are **iShares Premium Money Market ETF** ([TSX:CMR](#)), **Purpose High-Interest Savings ETF** ([TSX:PSA](#)), and **Horizons Ultra Short Term Investment Bond ETF** ([TSX:HFR](#)). Each of these has its own benefits and drawbacks.

### Benefits and drawbacks

Both CMR and PSA are going to pay you less than 1% interest at the moment. That is pretty disappointing. The rate cuts have taken their toll on these investments. Interest rates are now at a very low level. CMR's yield is currently 0.89% with a management expense ratio (MER) of 0.28%. PSA has a current yield of 0.65% and a MER of 0.15%. HFR has a higher yield of over 2% and a MER of 0.46%.

Before you decide that HFR is the best choice, though, consider that there is more to these ETFs than yield. HFR, in spite of its yield, is also more volatile than the other two. It is intended to stay around \$10 a unit. In reality, it lost value during the stock market sell-off.

If you had bought HFR in February at \$10, you could have lost 5% of your cash when you went to sell. PSA and CMR held their value firmly around the \$50 mark, only straying a few cents at maximum

above or below that level.

Trading fees are also a consideration. If you use a discount broker like [Questrade](#), you are not charged when you buy the ETF, but you are charged \$5 to sell. In iTrade, you can buy and sell CMR for \$0 in commissions, only gaining or losing on the one- or two-penny spread. A problem with PSA is that you can't buy it in certain trading accounts, such as many of those offered by most of the Big Five banks.

## Mutual fund HISAs

Another way you can store your cash is to use a HISA account that many of the big banks offer. These accounts are the reason why you cannot buy PSA. These accounts trade like mutual funds. This means it can take a day or two to settle. You cannot get your cash immediately. They provide a modest interest rate, likely below 1% at present. The benefit of these accounts is that you are eligible for deposit insurance similar to a regular savings account.

These accounts are also free to buy and sell if you use the ones offered by the same bank in which you have your trading account. Each of the big banks offers their own version that is commission-free. You can also buy these in a discount broker, although there is often a \$9.95 fee per trade, which makes them less attractive than an ETF like PSA.

## The bottom line

Thanks to the wisdom of global central bankers, there is not much incentive to use these savings accounts at the moment. If you have enough cash, you might want to use them to generate a small amount of interest while you wait. You'd have to have over \$10,000 in cash to make them worthwhile at the moment. That would only generate about \$7 a month, covering that selling fee, at least.

A mutual fund HISA is a good option if you have a large amount and want to have the deposit insurance. It covers up to \$100,000 in cash, which should be enough room for many investors. Also, some banks offer more than one type of mutual fund account, giving you more storage room if you need it. Either way, consider your personal situation and needs if you choose to put your money into any of these options.

### CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:CMR (iShares Premium Money Market ETF)
2. TSX:HFR (Horizons Active Ultra-Short Term Investment Grade Bond ETF)
3. TSX:PSA (Purpose Fund - Purpose High Interest Savings ETF)

### PARTNER-FEEDS

1. Business Insider

2. Msn
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