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

Description

When it comes to saving for retirement, ETFs (exchange-traded funds) seem a safe bet. Most Canadians do not have the time or expertise to identify individual stocks for their portfolio. Here's where investing in ETFs can benefit individuals with a long-term investment horizon. Most ETFs have low fees and offer diversification with exposure to a basket of stocks.

ETFs are cheaper than mutual funds and safer than stocks. If you are looking to buy top-quality ETFs for your TFSA (Tax-Free Savings Account) or RRSP (Registered Retirement Savings Plan), consider these funds for your portfolio.

iShares S&P/TSX Canadian Dividend Aristocrats Index ETF

The **iShares S&P/TSX Canadian Dividend Aristocrats Index ETF** (TSX:CDZ) provides Canadians with exposure to high-quality dividend-paying companies. This fund screens established companies with a strong history of dividend payouts. Companies that are part of the CDZ have increased annual cash dividends for at least five consecutive years.

Investing in this ETF will help generate stable monthly dividend income. The distribution yield of the CDZ stands at a juicy 5.8%. In terms of sector exposure, financials account for 24.3% of the ETF. The other top sectors are utilities, real estate, industrials, and energy at 15%, 12.2%, 12%, and 11%, respectively.

The top holdings of CDZ are **Enbridge**, **TransAlta Renewables**, **Fiera Capital**, **BCE Inc.**, and **North West Company**, and account for a total of 11.2% of the ETF. Enbridge stock has a forward yield of 7.4%. The dividend yields for TransAlta, Fiera Capital, BCE, and North West stand at 6.8%, 9.5%, 6.1%, and 5.2%, respectively.

iShares S&P/TSX 60 Index ETF

The **iShares S&P/TSX 60 Index** (TSX:XIU) is Canada's largest and most liquid ETF. It has exposure to the 60 largest Canadian companies on the S&P/TSX. Its forward dividend yield of 3.4% is lower than that of CDZ. But XIU's focus on large-caps has certain advantages, especially in the current uncertain environment. Canada's small-cap success stories have been few and far between compared to similar south of the border.

In terms of sector diversification, financials account for 30.1% of the ETF, followed by energy, materials and technology at 14.9%, 13.4%, and 11.6%, respectively. **Shopify** is the top holding of the XIU with a 7.4% share. The other companies include **Royal Bank of Canada**, **Toronto Dominion Bank**, Enbridge, and **Canadian National Railway**. The top five companies account for 30.7% of the XIU.

XIU has generated annual returns of 5.2% in the last 10 years. This figure for CDZ is lower at 4.8%.

Vanguard S&P 500 Index

The third and final ETF on the list is the **Vanguard S&P 500 Index ETF** (TSX:VFV). The VFV tracks the **S&P 500** which is one of the world's most popular indexes. Due to the wide range of companies in the U.S. and their ability to grow their customer base, the S&P 500 has outperformed the above two ETFs in the last few years.

VFV has returned 13.6% annually in the last seven years. It's traded on the TSX, which means investors can buy VFV without the risk of exchange rate fluctuations.

VFV holds a basket of 509 stocks providing ample diversification. Its dividend yield is comparatively low at 1.3%. However, the ETF's history of strong capital gains makes it attractive for growth investors. The companies in the VFV have an average return on equity of 19.6% with average earnings growth of 13.8%.

CATEGORY

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TICKERS GLOBAL

1. TSX:CDZ (iShares S&P/TSX Canadian Dividend Aristocrats Index ETF)
2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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