TFSA Investors: Follow Warren Buffett's Advice and Invest in These 2 ETFs Right Now!

Description

When it comes to investing, it makes sense to follow the advice of Warren Buffett. The Oracle of Omaha has been one of the top investors on Wall Street and has managed to beat broader indexes consistently in the last five decades.

Buffett understands that most people do not have the time or expertise to invest in the equity markets. For the layman investor who is just starting their investment journey, exchange-traded funds (ETFs) provide an ideal platform to park their funds.

Warren Buffett famously said, "A low-cost index fund is the most sensible equity investment for the great majority of investors. By periodically investing in an index fund, the know-nothing investor can actually out-perform most investment professionals."

In an interview with *CNBC Money* in 2017, Warren Buffett reiterated his preference towards index funds and claimed, "The thing that makes the most sense practically all of the time … is to consistently buy an S&P 500 low-cost index fund."

Let's see why ETF's remain the best way to get exposure to stocks via passive investments.

ETFs provide diversification

Investing in individual stocks is an elaborate process. You need to completely understand the company and its business. This research can be time-consuming but is extremely essential to identify long-term winners.

Further, you need to hold a portfolio of stocks across industries that diversify risk. It is not prudent to put all your eggs in one basket. Investing in stocks can also be expensive given the brokerage fees and other costs required to ensure you have a robust portfolio. For example, the amount of capital required to buy a basket of stocks will generally be much more than buying ETF units.

A low-cost ETF manages most of these issues. When you buy an ETF, you get diversification at a reasonable cost, and this should account for a significant portion of your investments. Here we look at two ETFs that should be part of your TFSA portfolio.

The **Vanguard FTSE Canada All Cap Index ETF** provides investors exposure to 200 large-, mid-, and small-cap companies in Canada. Its top five holdings include **Royal Bank of Canada**, **Toronto-Dominion Bank**, **Shopify**, **Enbridge**, and **Canadian National Railway**; they cumulatively account for 26% of the ETF.

The second ETF is the **Vanguard S&P 500 Index ETF**; it seeks to track the S&P 500 Index and provides investors with exposure to blue-chip stocks south of the border without having to worry about currency fluctuations.

The Foolish takeaway

It is in human nature to want to bet on growth stocks such as **Apple**, **Amazon**, or **Netflix**. But like I have stated above, individual stock picking remains a comprehensive process that involves analyzing balance sheets, income statements, cash flows, and total addressable market along with a multitude of financial ratios as well as the quality of a company's management team.

You can allocate a small portion of your TFSA contribution to buying individual stocks, but a major percentage of your investments should be concentrated on purchasing ETFs to create long-term wealth.

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araghunath