Retirees: 3 Ultra-Safe ETFs to Buy in 2020

Description

If you're a retiree, there are few types of investments more suitable for you than ETFs. Offering built-in diversification, they reduce part of the risk in your portfolio, while simplifying your investment decisions. One of the cardinal rules of investing is, "don't put all your eggs in one basket." By spreading your money out across several investments, you reduce your risk … *without* necessarily reducing your return. Because of this extra safety, ETFs — specifically *index* ETFs — are perfect for retirees.

But ETFs are far from a one-size-fits-all solution. Not all stock indices perform well, and not all funds have the best fee structures. To truly enjoy the peace of mind you deserve in retirement, you'll need to pick ETFs that deliver the risk and returns that suit your needs. With that in mind, here are three ultra-safe ETFs to consider buying in 2020.

Vanguard S&P 500 Index Fund

Vanguard S&P 500 Index Fund (TSX:VFV)(NYSE:VOO) is one of the world's most popular index funds. It's based on the S&P 500 — the 500 largest stocks in the United States by market cap. As a Canadian investor, you may have a preference for Canadian stocks, but the fact is that U.S. markets have delivered better returns over the long run. As for the fund itself: you can buy either the Canadian version (VFV) or the U.S. version (VOO). The U.S. version is ideal for retirees, because it has lower fees and is exempt from U.S. withholding tax if held in an RRSP.

iShares S&P/TSX Composite Index Fund

iShares S&P/TSX Composite Index Fund (TSX:XIC) is based on the TSX Composite Index. You can think of this as like a TSX version of VOO. Like VOO, XIC follows a broad market index, but in thiscase it's a Canadian index. This ETF has got a lot to like. First, according to **BlackRock** — the fund's sponsor — it has a 3.3% yield. Second, with over 220 stocks in its portfolio, it is ultra diversified. Third and finally, it has an ultra-low MER of just 0.06%. Overall, it's one of the best low-cost funds for Canadian retirees.

BMO Mid-Term IG U.S. Corporate Bond Fund

BMO Mid-Term Investment Grade U.S. Corporate Bond Fund (TSX:ZIC) is a U.S. corporate bond ETF. It gets you exposure to a wide variety of corporate bonds you wouldn't be able to buy individually. With this fund, you're investing in bonds issued by large U.S. corporations. According to **BMO's** website, this fund has a 3.35% distribution yield. That's a pretty good yield for fixed income. With bonds, you generally accept a lower yield in exchange for lower risk. So, they usually yield less than dividend stocks. But ZIC's yield is about comparable to a good TSX dividend stock — though without the potential for growth.

Fixed-income stocks are generally considered ideal for retirees, because they're the safest securities around. Just remember, the growth potential here is minimal. Also, the fund has a fairly high MER of 0.25%.

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TICKERS GLOBAL

1. NYSEMKT:VOO (Vanguard S&P 500 ETF)
2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
4. TSX:ZIC (BMO Mid-Term US IG Corporate Bond Index ETF)

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