



## Warren Buffett: Forget Stock-Picking. Buy These ETFs

### Description

These days, saving and investing your money is critical to achieving financial freedom. That's why it's so important that you start to save and invest as early as possible in addition to maximizing your investing performance. So, it's no surprise that many investors turn to the incredible advice of Warren Buffett.

The thing is, despite all the advice you can learn from Buffett, or any other famous investors, stock picking is still extremely hard.

That's why investors like Warren Buffett are so popular. Buffett has not only outperformed the market substantially, but he's done so over many decades. Most other professionals, even the best ones, can outperform the market at times, but not consistently.

So, for [Canadian retail investors](#), it can be extremely difficult to pick your stocks and outperform the market.

Sure, you might have a strong year or two during rapid bull markets, but it's tough to continue that pace of growth over the long run. And any time you underperform the market, you're not maximizing your investing returns.

That's why many experts, including Warren Buffett, suggest retail investors stick to index funds.

### Warren Buffett: Invest in index funds

Index funds are great for retail investors, because they track the stock market's long-term growth as it rises.

An investment in one index fund can give investors significant diversification with exposure to hundreds of stocks for minimal fees.

That's why it's recommended by Warren Buffett, especially for Canadians who want to invest their

money but don't have hours of time to research stocks.

## Top index funds for Canadian investors

There are several high-quality index ETFs for Canadians to buy. Two of the most popular are **iShares S&P/TSX 60 Index Fund** ([TSX:XIU](#)) and **iShares S&P 500 Index Fund (CAD Hedged)** ([TSX:XSP](#)).

As the name suggests, the XIU gives investors exposure to 60 of the largest [Canadian stocks](#).

This is a great way to track the Canadian markets and gives investors exposure to every sector. However, your investment is solely focused in Canada.

That's why I would suggest buying the XSP as well, which will give investors exposure to the S&P 500. This is the index Warren Buffett recommends most for investors. Plus, it's hedged to the Canadian dollar, so you don't have to worry about any foreign exchange risk.

Although the benefits of the index funds are diversification, it doesn't mean you can't earn a strong and attractive return. Investors of XSP have seen their investment more than double in just the last five years. That's pretty impressive, which is why stock picking is especially difficult these days.

## Bottom line

Despite several investors hearing Warren Buffett's recommendations and knowing it's statistically better to buy index funds, many will try to pick stocks anyway.

So, a popular strategy to consider for those investors who still want some say in the stocks they are buying is to have a hybrid strategy.

You could consider putting the majority of your portfolio into index funds to track the market. The other portion of your portfolio you can use to buy high-potential growth stocks.

This way, most of your capital is tied to the market's performance, but you can still look for high-potential growth stocks that you think can outperform the market.

### CATEGORY

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2. Stocks for Beginners

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:XIU (iShares S&P/TSX 60 Index ETF)
2. TSX:XSP (iShares Core S&P 500 Index ETF (CAD-Hedged))

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