3 Stock ETFs That Let you Sleep at Night — and Still Make Money

Description

This week witnessed significant stock market volatility, as popular tech stocks stumbled. Stocks that had been popular on **Twitter** bore the brunt of the selloff, which seems to have been based on valuation concerns. Since then, many of the stocks that stumbled in the past week have recovered. Wednesday saw a major rally after a weak market open. Still, many investors are now looking for safer places to put their money. If that sounds like you, read on. In this article I'll explore three 'safe' ETFs that let you sleep at night while still making money.

The Vanguard S&P 500 Index Fund

The 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 companies in America by market cap. VOO is listed in both the U.S. and Canada. The Canadian version–VFV–can be bought without currency conversion costs. Conversely, the U.S. version has a lower fee. Regardless of which version you buy, you're getting an ultra-diversified portfolio of 500 stocks in exchange for a miniscule fee–0.04% for the U.S. version, 0.08% for the Canadian version.

This fund is ultra diversified and has delivered solid total returns over the last 10 years. One thing it doesn't have is a high dividend yield–but don't worry, the next ETF on this list has yield a-plenty.

The iShares S&P/TSX 60 Index Fund

The iShares S&P/TSX 60 Index Fund (TSX:XIU) is a **BlackRock** index fund based on the largest 60 public companies in Canada. It isn't quite as diversified as VOO, nor does it have such high returns. What it does have, though, is a respectable dividend yield. According to BlackRock, the fund yields 2.87%. After fees, you'll get about 2.6%. That means you'd get $2,600 back annually on a $100,000 position.

That's a pretty decent income supplement right there. And the best part is, you do not need to take on extreme risk in order to get it. XIU also has a fairly low fee of 0.18%, which is not high, but is higher than VFV’s fee.

The iShares S&P/TSX Capped Composite Index Fund

The iShares S&P/TSX Capped Composite Index Fund (TSX:XIC) is another index ETF built on Canadian markets. In this case, it goes off the S&P/TSX Capped Composite Index rather than the TSX 60. That means you get more diversification with this fund than with XIU. Overall, XIU has delivered slightly better total returns than XIC over the last five years. However, with its added diversification, XIC should theoretically be less risky. It also has a much lower fee than XIU, at just 0.06%. Overall, this is a great Canadian index fund to buy and hold.

Foolish takeaway

Lately, we’ve been seeing significant volatility in the markets. And we’ll probably continue to see it for the foreseeable future. There’s never a sure thing in life, and that’s even truer of the stock market than with most things. But that doesn’t mean you have to gamble. With any of the three funds above, you can enjoy guaranteed market-average returns *without* taking on undue risk. For defensive investors, they are all worthy picks.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSEMKT:VOO (Vanguard S&P 500 ETF)
2. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
3. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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Date
2025/08/17
Date Created
2021/02/26

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