Stressed About Investing in Stocks? Try These 3 ETFs Instead

Description

Stocks have been around for centuries. The first stock was issued in 1602 by the Dutch East India Company. Compared to stocks, ETFs are the toddlers of trading. But in a relatively short amount of time (about three decades), ETFs have become quite popular, and they might have the potential of leaving mutual funds in the dust.

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But if the choice is between ETFs and stocks, which one should you choose? If you are not comfortable with the volatility of the stock market, or you seek a higher degree of diversification and stability from your investment than a stock-based portfolio can offer, you might want to park your money in ETFs instead. There are three ETFs in particular that should be on your radar.

A Canadian market ETF

Blackrock's **iShares Core S&P/TSX Capped Composite Index ETF** (TSX:XIC) tracks the performance of a broad spectrum index (that shares the same name), which is currently made up of 219 holdings. These holdings make up a significant portion of the Canadian stock market. In the top 10 holdings, it has four of the Big Five banks, two energy stocks, two railway stocks, and **Shopify**. These holdings make up about 38% of the ETF.

This thorough diversification offers the ETF a high level of stability, and it tracks the market quite efficiently. In the last five years, the stock has grown almost 41%. It comes with a relatively low management expense ratio (MER) of 0.06%, a 2.5% yield, and has a medium risk rating. It offers gradual but relatively sure growth prospects.

A U.S. market ETF

If the growth of the Canadian market seems a bit slow-paced, you can always look into the good, old S&P 500. **BMO S&P 500 Index ETF** (TSX:ZSP) tracks the performance of the S&P 500 Index, which, in the last five years, has been twice as fast as TSX capped index's (83%). The yield is a bit low at 1.35%, but the growth can easily offset that.

The ETF also has a minimal fee of 0.09%, which might not take too much off your profits, even in the long run. Thanks to its more powerful growth prospects, the S&P 500 ETF can make you more money in the long run compared to the S&P/TSX Capped Composite ETF, even with its lower fee and higher dividends. It currently has over $8 billion in assets.

A tech ETF

If growth is what you are looking for, and you don't mind leaning in heavily on one sector, consider buying **iShares S&P/TSX Capped Information Tech Idx ETF** (TSX:XIT). It tracks the performance of the Canadian tech sector. The problem with this ETF is that about 50% of the ETF is made up of just two companies, and 78.2% is made up of only four. This skews the performance quite heavily if any one of those giants dips or shoot through the roof.

The ETF also comes with a relatively high MER of 0.61% and a medium to high risk rating. But all of this seems justified if you consider the performance of the ETF. In the last five years, the ETF has grown over 260% in value.

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Foolish takeaway

These three ETFs, especially the first two, represent your bet on the respective stock exchanges and economies. If the U.S./Canadian markets keep growing at a decent pace, your holdings in these ETFs will as well. If you want more growth, you might have to dispense with the diversification safety that comes with broad index ETFs and look into sector-based ETFs.

CATEGORY

1. Dividend Stocks
2. Investing
3. Tech Stocks

TICKERS GLOBAL

1. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)
2. TSX:XIT (iShares S&P/TSX Capped Information Technology Index ETF)

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