3 Canadian ETFs to Buy and Hold for Decades

Description

ETFs (exchange-traded funds) are among the best investments for “buy and hold” investors. You never know when a bad earnings miss or accounting scandal will ruin an individual company, but a broad market index will usually perform decently over the long term. While you’re unlikely to get rich with index funds, they’re among the best ways to ensure an “average” return over a long period. With that in mind, here are three Canadian ETFs to buy and hold for decades.

iShares S&P/TSX 60 Index Fund

The **iShares S&P/TSX 60 Index Fund** (TSX:XIU) is Canada’s most popular ETF by trading volume. Every month, about 3.6 million XIU shares exchange hands, making it a true monster among Canadian funds.

What makes XIU such a great buy and hold investment?

First, it’s super diversified. With 60 stocks, it has as much diversification as you need to limit exposure to the worst corporate catastrophes.

Second, it’s based on large caps, which also reduces risk somewhat.

Third and finally, the fee is quite low, approximately 0.16% per year. That’s not the *lowest* index fund fee out there, but it’s low enough that you won’t notice its effects.

The **BMO U.S. Mid-Term Investment Grade Corporate Bond ETF** (TSX:ZIC) is a top Canadian bond fund that holds U.S. bonds. The bonds it holds are top rated corporate bonds. The high ratings mean that the bonds are considered safe. However, they’re just risky enough to deliver some kind of return.

As of this writing, ZIC yielded 3.15%. That's as high a yield as many dividend stocks, yet you get the added safety of bonds–which get priority payment over dividends. By contrast, the 10 year U.S. treasury yields 1.7%. With a bond fund like ZIC, you'll get a much higher return than the risk free rate, without taking on an inordinate amount of risk, which is definitely worth looking into.

The Vanguard S&P 500 Index Fund

You might be surprised to see the **Vanguard S&P 500 Index Fund** (TSX:VFV)(NYSE:VOO) on this list. After all, it's a U.S. fund. What does this have to do with Canadian ETFs?

Well, the stocks in the Vanguard S&P 500 index fund are certainly American. But you can actually buy a Canadian version of the fund itself. If you buy the Vanguard S&P 500 as "VFV" on a Canadian exchange, you don't need to deal with currency conversion costs, or worry about exchange rates. That makes the decision to invest in it a little easier. On the flipside, VFV has a slightly higher fee than VOO (0.08% vs 0.04%), but either fund's fee is near-zero.

VFV is one of the world's most popular index funds for a reason. Tracking the **S&P 500**, its holdings are among the best performing stocks in the world. As a Canadian investor, it's only natural to invest in Canadian stocks. But there's no reason not to get some U.S. exposure in the mix too. To that end, VFV could work wonders.

CATEGORY

1. Dividend Stocks

TICKERS GLOBAL

1. NYSEMKT:VOO (Vanguard S&P 500 ETF)
2. TSX:VFV (Vanguard S&P 500 Index ETF)
3. TSX:XIU (iShares S&P/TSX 60 Index ETF)
4. TSX:ZIC (BMO Mid-Term US IG Corporate Bond Index ETF)

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