



3 Index ETFs to Buy and Hold Forever

Description

Individual stocks can be a lot of fun, but if you're looking for safety and stability, index ETFs are where you need to be. Indexes are highly diversified by definition, which reduces part of the risk (the “unsystematic risk”) in your portfolio. No, you won't get rich overnight by investing index ETFs. But you'll definitely outperform anybody who bets the house on a small-cap play that goes wrong. With that in mind, here are three index ETFs to buy and hold forever.

iShares S&P/TSX 60 Index Fund

iShares S&P/TSX 60 Index Fund ([TSX:XIU](#)) is the most popular ETF of Canadian stocks. It's [based on the TSX 60](#) — an index of 60 large-cap TSX stocks. That's a pretty adequate amount of diversification, giving you exposure to the bulk of the Canadian equities markets. The TSX Composite has over 200 stocks, but it's heavily concentrated in the large caps. As a result, you're buying over 90% of the TSX when you buy XIU.

XIU is a fairly low-cost fund with a lot of great features. It has a relatively low fee (0.16%), high volume, and a decently high dividend yield (about 2.5%). Based on historical trends, it won't deliver a superior total return, but it will probably deliver a modest return fairly safely.

Vanguard S&P 500 Index Fund

Vanguard S&P 500 Index Fund ([TSX:VFV](#))(NYSE:VOO) is one of the most popular index funds on earth. It tracks the S&P 500 — the world's most closely watched stock index. The S&P 500 is made up of the 500 biggest publicly traded companies in the United States. Whether you're looking for big tech, financials, retail, or energy stocks, it's all part of the portfolio that makes up VOO/VFV.

Given that this is a U.S. fund, where's the Canadian connection?

Well, you can buy a Canadian-listed version of this fund on the TSX as VFV. It's quite literally the exact same portfolio as VOO, but your investment is denominated in Canadian dollars, so you don't need to

deal with currency conversion or get confused by exchange rate impacts. VFV has a higher fee, though, so watch out for that.

Invesco QQQ Trust

Last but not least we have the **Invesco QQQ Trust** ([NASDAQ:QQQ](#)). This is a fund consisting of the top tech stocks on the NASDAQ 100. It **excludes financials**, so you won't get stocks like **Visa** that are part of the NASDAQ 100 but not considered tech. Technically, this pushes QQQ a little away from its benchmark, arguably making it not a "true" index fund. But when most people think NASDAQ, they think tech stocks, so QQQ is a little closer to what investors are seeking than a 100% faithful NASDAQ 100 fund would be.

What does QQQ have going for it?

First, it's one of only a handful of funds of its kind. There aren't a whole lot of NASDAQ 100 funds out there, the main "competitor" being QQQM, offered by the same company.

Second, it gives you exposure to the U.S. tech sector, which has historically outperformed most of the world's equity markets for most of its existence.

Third and finally, its fee of 0.2% is relatively low. It's not truly dirt cheap like your average S&P 500 fund, but it's pretty reasonable for a tech fund that has higher expected returns. Overall, QQQ is a great addition to any well-diversified portfolio.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:QQQ (PowerShares QQQ Trust, Series 1)
2. NYSEMKT:VOO (Vanguard S&P 500 ETF)
3. TSX:VFV (Vanguard S&P 500 Index ETF)

PARTNER-FEEDS

1. Business Insider
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