TFSA Investors: 3 Ultra-Safe ETFs to Keep Panic at Bay

Description

If you're a Tax-Free Savings Account (TFSA) investor, the past week might have given you a case of the jitters. Markets were very volatile for much of the week, particularly Monday and Tuesday. A lot of stocks got hit those days, and all of the major North American indexes were down on Tuesday.

If the past week's market momentum worried you, now would be a good time to take a step back. An individual stock can easily go to $0 in a market crash, but other investments almost certainly won't. Index ETFs for example, have built-in diversification that practically guarantees that you won't lose it all. You could easily lose money holding index funds, but you won't go to zero. In times of market volatility, such funds can be your best friends. With that in mind, here are three great index ETFs for TFSA investors to consider in August.

iShares ETF

The **iShares S&P/TSX 60 Index Fund** (TSX:XIU) is Canada's most popular index ETF. It's a fund built on the TSX 60–the 60 biggest publicly traded companies in Canada by market cap. XIU has a lot of things going for it. It has 60 stocks, which provides ample diversification. It has a low 0.16% fee, so you don't lose a lot of money to the fund managers. And finally, it has a high trading volume, so it's very liquid. Overall, it's a great Canadian index fund for beginner and experienced investors alike.

Vanguard ETF

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 U.S. stocks by market cap. With VFV, you get instant exposure to the world's biggest and best-known companies–including the FAANG tech stocks that have made so many investors rich over the decades. VFV isn't the only way to get exposure to the S&P 500, but it's one of the best.

By the way, this fund trades on both Canadian and U.S. exchanges. If you buy the U.S. version, you have to deal with currency conversion, but you pay a lower fee. If you buy the Canadian version, you get everything in Canadian dollars, but the fee is higher. Feel free to choose whichever option is best for you, as it's a great fund either way.

BMO ETF

The **BMO Mid-Term U.S. Investment Grade Corporate Bond ETF** (TSX:ZIC) is a Canadian fund of U.S. corporate bonds. It's built on bonds offered by the biggest U.S. companies. Bonds are generally safer than stocks because they get paid first in the event a company goes bankrupt. So if you want safety in your portfolio, you can do much worse than a fund like ZIC.

Of course, some would say that the very safest asset to own is not corporate bonds but government bonds. It's true that government bonds are even safer than corporate, but their returns don't even keep up with inflation. Overall, corporate bond funds like ZIC provide the best return with as little risk as possible.

CATEGORY

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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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