3 Canadian ETFs I'd Buy and Hold Forever

Description

When it comes to long-term investing, it's hard to beat passive ETFs.

Sure, it's fun to invest in individual stocks. But studies show that, over the long term, passive funds beat the vast majority of active managers.

With passively managed funds, you pay very low fees and earn virtually guaranteed "average" market returns.

It's a hard formula to beat. With that in mind, here are three Canadian ETFs that I would buy and hold forever.

iShares S&P/TSX 60 Index Fund

iShares S&P/TSX 60 Index Fund (TSX:XIU) is a TSX 60 index fund that I would buy and hold. In fact, I already have it in my portfolio. The fund is built on the 60 largest TSX stocks by market cap. 60 stocks is an adequate amount of diversification, and stocks in the fund are mostly large caps. So, the risk inherent in the fund is fairly low. The fund also has a 2.3% dividend yield, so you get a little bit of income in the mix. XIU's fee is pretty low at 0.16%. That's not the lowest fee among passive funds — these days, they can get as low as 0.04% — but it's low enough that you won't even notice its effects. Overall, it's a solid passive fund to buy and hold.

BMO Covered Call Banks ETF

BMO Covered Call Banks ETF (TSX:ZWB) is a Canadian bank ETF that holds stock in Canada's Big Six banks. This isn't an entirely passive fund, because it uses covered calls as a form of yield enhancement. This requires some active management. However, the core stock holdings are about the same you would get in a purely passive Canadian bank fund. The difference is the yield. Thanks to the yield enhancement strategy used, ZWB yields 5.55%, when TSX banks only yield about 3.3% on average. With a 0.72% management fee, ZWB isn't the cheapest fund on earth. But if you're looking for yield, this fund is one way to get it.

BMO Mid-Term Investment Grade U.S. Corporate Bond ETF

BMO Mid-Term Investment Grade U.S. Corporate Bond ETF (TSX:ZIC) is another **BMO** fund that offers above-average yield. It's built on U.S. corporate bonds — debt issued by the largest U.S. companies. The fund is built on American assets but is run and administered within Canada. So, you get all the usual benefits you'd get by holding any Canadian fund.

ZIC yields 3.53% at today's prices. That's not as high as ZWB's yield, but ZIC is much safer. Bonds are safer than stocks, because interest takes payment precedence over dividends. Dividends aren't legally guaranteed; interest is. So, ZIC is a pretty safe, defensive investment that can pay you handsomely over the long run. It won't deliver superior returns, but it should generate enough income to make it worth the investment.

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2. TSX:ZIC (BMO Mid-Term US IG Corporate Bond Index ETF)
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1. Editor's Choice

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