Build a Diversified Portfolio With These 3 ETFs

Description

Investing can be a great way for the everyday person to build lifechanging amounts of wealth. Unfortunately, it can require a lot of time to research and keep up to date with all the companies in your portfolio. That isn't something that everyone may be interested in or be able to do. Fortunately, it's still very possible for investors to be successful without spending a lot of time doing research on different companies.

If investing without spending a lot of time doing research sounds like something you'd be interested in, then you should consider investing in exchange-traded funds (ETFs). Much like investing in mutual funds, buying shares of an ETF will be like buying a basket of assets. This spreads an investor's risk across many companies, which can make it easier to let your investment ride without having to worry too much about what happens to a company day to day.

There are two really great things about ETFs. The first is that they cost a lot less in terms of fees than mutual funds. This is because ETFs are made to track a certain index, instead of beating the market. This requires much less day-to-day input from fund managers, allowing them to keep costs low. Second, ETFs can be traded instantly, unlike mutual funds, which can often only be bought or sold after market close. This liquidity offered by ETFs can make it a lot easier on investors to add and trim portfolio positions.

Buy complementary ETFs

When looking for ETFs to hold in your portfolio, it's important that you find complementary funds. In other words, you don't want to hold many ETFs that overlap a lot. A failure to do so will result in certain companies gaining a much larger allocation in your portfolio than you would like. This means that if one of the more represented companies in your portfolio suffers a major blow to its business, then you could see a more dramatic decline in your portfolio.

The first ETF investors should consider is one that tracks the **S&P 500**. There are many different ETFs that do this, like the **Vanguard S&P 500 Index**. By holding shares of this ETF, investors can gain exposure to about 500 large American companies. This includes well-known names like **Procter and Gamble**

, **McDonalds**, **Microsoft**, and **Tesla**.

Next, investors should consider buying shares of an ETF that tracks the **TSX**. One example could be the **iShares Core S&P/TSX Capped Composite Index**. By holding shares of this ETF, investors can gain exposure to the Big Five Canadian banks, **Shopify**, **Canadian National Railway**, and many other well-known Canadian companies.

Finally, investors should consider holding an ETF that tracks emerging markets. Personally, I would make this a much smaller allocation in my portfolio. This is largely because there are fewer well-established companies in emerging markets. However, it could provide a nice boost of growth over the long run. Buying shares of **iShares Core MSCI Emerging Markets IMI Index** can give an investor exposure to companies like **Samsung**, **Alibaba**, **Tencent**, and more.

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