Forget Buying Stocks and Bonds: Hold These All-in-One ETFs Instead

Description

Did you spend a lot of time in 2021 researching stocks, following the financial news, and tinkering with your portfolio, only to underperform or barely beat the market? Don't worry — there is an easier way to match the market with minimal effort and time.

Active stock picking can be time consuming, stressful, and prone to dismal results. For the average investor, there is ample evidence that passive investing using a variety of exchange-traded funds (ETFs) following major stock market indexes is the way to go.

As the former founder of **Vanguard** John Bogle would say: "Don't look for the needle in the haystack — just buy the haystack itself!" Thankfully, Canadian investors have access to a variety of asset-allocation ETFs to form the core of their investment portfolios. Let's take a look at my top picks for 2022 from **BlackRock**.

The 80/20 aggressive version

iShares Core Growth ETF Portfolio (TSX:XGRO) is my top pick for an investor seeking sustainable long-term growth with a relatively aggressive 80/20 stock/bond allocation.

The fund is highly diversified, holding over 20,000 stocks and bonds across multiple geographies, sectors, market caps, credit quality, and duration. Essentially, you own the known world stock/bond market!

The equity portion of the fund is split approximately 45% in U.S., 25% in developed, and 5% in emerging markets, with a 25% Canadian home bias to mitigate currency risk and reduce volatility.

XGRO is best used as a core holding in your portfolio or as the entire portfolio all together. Holding this fund will currently cost you a management expense ratio (MER) of 0.20% per year, or $20 per $10,000 invested.

The 60/40 balanced version

If 80% equities is too risky for your investment objectives, risk tolerance, and time horizon, don't worry. There is a less aggressive alternative in **iShares Core Balanced ETF Portfolio** (TSX:XBAL)

XBAL is effectively a 60/40 stocks/bonds portfolio, which has traditionally been the optimal blend for the best risk-adjusted return. This portfolio's return will be lower, but it will also have much less volatility.

Asides from the higher bond allocation, XBAL shares the same equity and fixed income holdings as XGRO. The MER is identical as well. All in all, XBAL is a good alternative if you're more concerned about preservation of capital.

The Foolish takeaway

In my opinion, Blackrock did an excellent job of creating a set of low fee asset allocation portfolios suitable for Canadian investors of all objectives, time horizons, and risk tolerances.

These portfolios take the hard work out of picking stocks and managing your investments. Buying and holding one of these funds with consistent contributions can help compound wealth with zero effort or worry on your end.

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1. Investing
2. Stocks for Beginners

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