



New Investors: This 1 Canadian ETF Is All You'll Need to Own!

Description

Canadian ETFs make it so easy for market [newcomers](#) to gain exposure to a wide range of securities. Undoubtedly, passive-investment options have been incredibly [popular](#), with new ones showing up on the TSX Index on the regular. It used to be that American investors had a tonne of ETFs, but now, Canadians have more choices than ever before. For beginner investors, it can be quite overwhelming. There are so many flavours of funds, ranging from thematic to smart beta and even specialty income and blended funds catered to when one plans on hanging up the skates from the labour force.

The good news is that the average Canadian investor doesn't need to know about everything and seek to place a bet. In this piece, we'll have a closer look at two Canadian ETFs that I believe are really all an investor needs to own to build meaningful wealth over the long haul. Now, thematic ETFs and funds may have a place in the portfolios of some investors. But in this piece, I'm going to focus on a passive fund with a low MER (management expense ratio), solid diversification, and a track record of success over prolonged periods of time.

Enter the vanilla U.S. index ETF, the **iShares Core S&P 500 Index ETF (CAD-Hedged)** ([TSX:XSP](#)): one simple, low-cost way for Canadian investors to bet on the U.S. stock market. Let's have a closer look at the ETF to see why it's such a great pick for a TFSA, RRSP, or taxable account.

iShares Core S&P 500 Index ETF (CAD-Hedged)

On the surface, the XSP seems like just another vanilla S&P 500 ETF. While there may not be much of a difference between it and any other TSX S&P 500 fund, there are remarkable traits that make this one best in class.

First, MERs are ridiculously low at 0.1%. That's pretty standard. A lot of competitors have MERs at the floor, too.

Second, the fund is CAD-hedged, meaning those worried about currency fluctuations can rest easy knowing they're tracking the S&P 500, rather than the index plus currency moves based on oil, rate hikes, or anything in between. The fact that the ETF is hedged ought to make the MER higher. The fact

that it's still at a mere 0.1% leads me to believe that investors are, in fact, getting a magnificent deal if they seek currency hedging.

Finally, the XSP has a solid amount of trading volume, so you won't get absurd spreads during times of market inefficiency. Indeed, volumes aren't a huge concern until Mr. Market pulls the rug from underneath investors, and there's a cash crunch. While spreads could still widen, they'd widen less so than an ETF with lacklustre volumes.

Warren Buffett is a fan of the S&P 500!

The XSP is one of the best ways to bet on the S&P 500 basket as a Canadian. A low MER, decent volumes, and hedging — you'll get it all, making it a top set-and-forget ETF for Canadian investors. Yes, it's that simple. Warren Buffett praises the S&P 500, and for good reason. It's hard to beat the market. If you can't beat them? Join them. Just make sure your costs are low, like with the XSP!

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