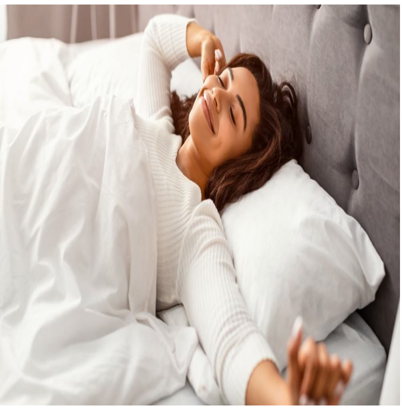

Beginners: 1 Top Canadian Fund for a Sleep-Easy TFSA Portfolio

Description

It may be tough to get a good night's sleep these days for the many beginner TFSA investors who've had to deal with elevated levels of volatility and potentially steep losses in their TFSA portfolios. It's not a fun time to be a beginner. But you should treat any such mistakes you may have made as nothing more than an opportunity to improve your investing toolkit. It takes many years to sharpen your investing knowledge, but you can do it. Diversification is key to staying out of trouble when you're just getting started with buying your first few stocks on the TSX.

So, whether you've been beckoned in by the siren song of momentum and growth stocks, the massive plunge in various names that could reek of value, or the increasingly insidious impact of inflation, beginner TFSA investors should know they're on the right track. It's not easy to invest through turbulent times, with various crises like Russia's invasion of the Ukraine unfolding in the background. That said, it's crucial to be invested for the long haul and not pay so much attention to the traders who may tout buy or sell on any given day after sizeable moves already in the rear-view mirror!

Investing can be fun, but it shouldn't be super fun. And when the punch bowl is taken away, that fun feeling of making money on a day-to-day basis can be replaced with dread and fear after a few horrid days, like the ones endured through most of this quarter.

Beginner TFSA investors: How to sleep easy in a choppy market

How can newbies stay calm through these rougher stock market waters? Look no further than some of the exchange-traded funds (ETFs) that aim to help combat volatility without compromising too much on the returns front.

Looking to the next 10 years, prospective returns seem low and harder to come by versus the past 10 years. Does that mean you shouldn't jump into markets today with your TFSA portfolio? Of course not. If you're a stock picker, you're looking to beat the market indices anyway. And if you stay disciplined and insist on value, you can do better than what the TSX Index has to offer.

Consider **Bank of Montreal's** intriguing "covered call" specialty-income ETFs. They essentially trade upside potential for premium income. The effect on ETFs? It's less in the way of volatility but more yield. They're a great tool to have in your arsenal if you're looking to invest cautiously. Cautious optimism is the name of the game in what could be a rough year.

Cautiously optimistic on the big banks?

With **BMO Covered Call Canadian Banks ETF** (TSX:ZWB), you're making a cautious bet on the big banks. While the "covered call" portion may seem exotic to some, it's pretty straightforward. You're giving up some upside for more yield. To do so, you'll have to pay a slightly higher MER to the folks running the fund. In bear markets, though, the tradeoff is worthy.

Now, it's hard to tell if we're headed for a recession or a bear market in 2022 or 2023. That said, if you're looking to hedge your bets, a covered call ETF like the ZWB is a great way to do so. I'm bullish on the banks, but after such a run, it's not a bad idea to be cautiously bullish, given they could drag their feet for some time before their next legs higher.

At the end of the day, your TFSA should be for investing for the next 10 or 20 years, not trading to score a significant gain over a month's time. Cautious optimism is not a bad thing at this time. And BMO's covered call ETFs are worth a second look, in my opinion.

CATEGORY

1. Investing

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