



## Beginner Investors: 3 Easy Ways to Invest in the U.S. Stock Market Using Index ETFs

### Description

The U.S. stock market accounts for approximately 55% of the world's stock market capitalization by weight and has been an absolute powerhouse in the last decade, delivering outsized returns fueled by the rise of high-growth technology companies.

Beginner investors in 2022 should allocate at least 50% of their portfolio to U.S. stocks. While you can pick and choose your own, a better way to gain exposure to dozens, even hundreds of the top U.S. stocks is through the use of an [exchange-traded fund \(ETF\)](#) that tracks a well-known stock market [index](#).

The most well-known indexes include the **S&P 500**, the **NASDAQ 100**, and the **Dow Jones Industrial Average**. Let's check out the top Canadian ETFs that give us exposure to each!

### The S&P 500

The S&P 500 is composed of 502 U.S. blue-chip companies like **Microsoft**, **Apple**, **Alphabet**, **JPMorgan**, and **Amazon** and spans multiple sectors with a concentration in technology and financials. It is widely regarded as the benchmark for U.S. equity performance.

**Vanguard S&P 500 Index ETF** ([TSX:VFV](#)) is the top Canadian ETF for tracking the S&P 500. VFV costs a management expense ratio (MER) of 0.08% to hold, plus an additional 0.15% in foreign withholding taxes on the dividends. The fund is not [currency hedged](#).

### The NASDAQ 100

The **NASDAQ 100** tracks the largest companies listed on the NASDAQ exchange. Currently, it is seen as a barometre for U.S. mega-cap growth stock performance, with a heavy weighting allocated to top tech stocks such as **Advanced Micro Devices**, **NVIDIA**, and **Tesla**.

**iShares NASDAQ 100 Index ETF** ([TSX:XQQ](#)) is the top Canadian ETF for tracking the NASDAQ 100. Compared to VFV, XQQ is much more volatile, being a high-risk, high-reward bet on the U.S. tech sector. Currently, holding XQQ will cost you a 0.39% MER. Unlike VFV, XQQ is currency hedged.

## The Dow Jones Industrial Average

As the oldest U.S. stock market index in existence (1896!), the Dow Jones Industrial Average consists of 30 large-cap, blue-chip stocks that represent the leading companies in every major U.S. industry. You can track it by buying **BMO Dow Jones Industrial Average Hedged to CAD Index ETF** ([TSX:ZDJ](#))

Current notable underlying stocks other than the ones mentioned earlier include **Walmart, Walt Disney, Coca-Cola, Home Depot, Goldman Sachs, McDonald's, Visa, Boeing, Johnson & Johnson, and 3M**. ZDJ will cost you an MER of 0.26% to hold and is currency hedged.

## The Foolish takeaway

Your choice of ETF here will depend on your view of the U.S. stock market. Do you think mega-cap growth and tech stocks will continue to outperform? Buy XQQ. Do you think old-fashioned value stocks will have their day? Buy ZDJ. Do you want to make a balanced, more diversified bet on the U.S. market as a whole? Buy VFV.

Regardless of your choice, buying and holding any of these three ETFs for the long term is a winning proposition. Continually making deposits, reinvesting dividends, and staying the course through fear, uncertainty, and doubt is the key to a winning investment portfolio.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:XQQ (iShares NASDAQ 100 Index ETF (CAD-Hedged))
3. TSX:ZDJ (BMO Dow Jones Industrial Average Hedged to CAD Index ETF)

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