



## How to Create a Complete “Lazy” Stock Portfolio With Just 4 BMO ETFs

### Description

I might be an avid investor, but I’m not a fan of [stock picking](#). Personally, I find it time consuming, complicated, and stressful. I’m also embarrassingly bad at it. I’ve accepted that I can’t predict or time the market, nor devote the time to analyzing financial ratios and earnings calls.

For this reason, I’m a fan of “lazy” investment portfolios using [exchange-traded funds \(ETFs\)](#), ones that anyone can set up within minutes, automate contributions, and check on once or twice per year. Keeping investing accessible, simple, and consistent is the key to success here.

### Why a lazy portfolio?

For most investors, it is exceedingly [difficult to consistently beat the market](#) in the long run. Even professional fund managers often fail to outperform a simple [index fund](#). Once you accept this, you can instead aim to match its returns with the least amount of effort and cost possible.

The goal here is to find the best ETFs that maximize exposure to the broad market and offer the lowest management expense ratios (MER). This helps reduce sources of risk that are controllable — underdiversification and high fees.

### The four-fund lazy portfolio

The Canadian four-fund lazy portfolio takes 15 minutes to set up and another 15 minutes every year to re-balance. It costs 75% less in fees [than a mutual fund](#) from a financial advisor and will match the market return. It consists of four ETFs in the following allocations:

1. A Canadian equity market ETF (20%)
2. A U.S. equity market ETF (50%)
3. An international developed markets ETF (20%)
4. An international emerging markets ETF (10%)

We want to keep the Canadian portion of our portfolio overweight relative to its actual world market cap weight (3%), anywhere from 20-30%. This is called “home-country bias.” It lowers fees and taxes, reduces volatility, and hedges against currency risk.

Keep in mind that this version is also 100% stocks, which are suitable only for investors with a high risk tolerance or a long time horizon. Other investors may want to include a 10-40% bond allocation.

## Which ETFs to use?

To invest in the [Canadian stock market](#), consider buying **BMO S&P/TSX Capped Composite Index ETF (TSX:ZCN)**. ZCN holds over 200 large-, mid-, and small-cap domestic stocks for an MER of 0.06%.

To track the U.S. market, default to the tried-and-true S&P 500 by buying **BMO S&P 500 Index ETF (TSX:ZSP)**. ZSP has \$10.79 billion AUM and a high volume traded daily, costing an MER of 0.09%.

For international developed markets, invest in **BMO MSCI EAFE Index ETF (TSX:ZEA)**, which holds 831 stocks from Japan, the U.K., France, Switzerland, Australia, Germany, etc. for a 0.22% MER.

Finally, for international emerging markets, buy **BMO MSCI Emerging Markets Index ETF (TSX:ZEM)**, which holds 820 stocks from China, Taiwan, India, Korea, Brazil, Russia, etc. for a 0.27% MER.

## How do I manage this portfolio?

Once you have purchased these four ETFs in their proper allocations, you only have two tasks:

1. Every month, deposit money into your brokerage account and purchase equal amounts of each ETF
2. At the start of every quarter, rebalance your portfolio by buying and selling shares until each asset is back to their original allocated percentage

That's it. You must resist the urge to tinker by overweighting geographies, trying to time the market, or buying hot stocks. Think of your lazy portfolio as a bar of soap — the more you handle it, the more it shrinks. Put your investment on autopilot and enjoy life!

### CATEGORY

1. Investing
2. Stocks for Beginners

### POST TAG

1. Editor's Choice

### TICKERS GLOBAL

1. TSX:ZCN (BMO S&P/TSX Capped Composite Index ETF)
2. TSX:ZEA (BMO MSCI EAFE Index ETF)

3. TSX:ZEM (BMO MSCI Emerging Markets Index ETF)
4. TSX:ZSP (BMO S&P 500 Index ETF)

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