3 Buy-and-Forget ETFs for Your Retirement Nest Egg

Description

Not all ETFs — even though almost all of them are made of up multiple assets and have an element of diversification built in — fit neatly in the buy-and-forget category. But many do, especially the ones that follow broad market indexes like S&P 500 and S&P/TSX.

They can be especially potent holdings if you have plenty of time before retirement. You can grow your nest egg to a decent size, given enough time and the right ETFs.

A Canadian market ETF

One exposure a lot of Canadian investors might be seeking from an ETF is to the TSX. But the whole market exposure might be too diluted. Instead, you can focus on the largest market segment — i.e., the financial sector — with **Horizons S&P/TSX Capped Financials Index ETF** (TSX:HXF). The ETF follows the TSX-capped financial index as faithfully as possible.

The financial sector is slow but reliable. Led by the big banks, insurance giants, and steady asset management companies (which collectively make up the bulk of the weight), it doesn't fall as hard as most other sectors do and recovers quite fast as well. The ETF also carries a relatively lower fee of 0.25%.

The long-term return potential has been quite impressive, especially for such a heavyweight sector. If you had invested $10,000 in the fund at the time of inception (Sept. 2013), you would have grown your capital by $18,000 before the pandemic and $24,000 by now.

A U.S. low-volatility ETF

iShares MSCI Min Vol USA Index ETF (TSX:XMU) tracks the performance of the stocks that carry a lower volatility level than the U.S. stock market as a whole. Currently, the index is following the performance of 173 holdings, and the weight is distributed quite evenly.

This ETF offers a nice change of pace from most tech-heavy U.S.-based ETFs, and there are just two tech companies among the top 10 holdings.

Thanks to its low-volatility focus, the fund carries a low- to medium-risk rating (two on a scale of five). The MER is 0.33%, which is not too high, and the performance of the fund has been quite impressive so far. The fund has offered 3.5 times growth in the last decade. And if it can replicate this growth pace, you can grow your nest egg to quite a decent size till retirement.

An S&P 500 ETF

S&P 500 ETFs are quite common, and **BMO S&P 500 Index ETF** (TSX:ZSP) is a good pick among the many, mostly for its low MER of 0.09%. It also makes quarterly distributions, but the yield is modest at best. Apart from that, it's similar to most other ETFs following the same group of securities, with the top 10 dominated by the tech giants and making up a decent amount of the total weight.

The ETF follows the performance of the underlying basket of assets quite faithfully. In the last five years, the fund has grown its investors' capital by about 66%, and at this pace, it's quite capable of doubling your money within a decade.

Foolish takeaway

When it comes to a retirement nest egg, it's important to clear any doubts you have about the TFSA vs. RRSP. Both registered accounts have enormous potential and different tax benefits. As long-term holdings, the three ETFs above might do well in either of the two registered accounts.

CATEGORY

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