2 Cheap Vanguard and BlackRock ETFs to Buy and Hold Forever

Description

In my opinion, new investors interested in picking their own stock portfolios should stick to a "core/satellite" approach to practice good risk management. This entails the following:

1. Investing 90% in a low-cost exchange-traded fund (ETF) that tracks a major stock market index; and
2. Investing the remaining 10% into various stock picks that you think will outperform the index.

This way, investors can follow most of the market's movements and get the average return, while still having some "fun money" for moonshot stock picks that might do extremely well (or crash and get delisted, but the risk is limited in this case).

Today, we'll be looking at two index ETFs from **Vanguard** and **BlackRock** that track the performance of the total U.S. and Canadian stock markets, respectively. Buying one of these ETFs and holding for the long term guarantees you'll match the performance of the market, net of fees.

The U.S. option

The **CRSP Total U.S. Stock Market Index** is a market cap-weighted stock market index that tracks the 3,500 large-, mid-, and small-cap stocks listed on U.S. exchanges. It spans the technology, healthcare, financials, communications, consumer staples, industrial, and energy sectors.

To track it, you can buy **Vanguard US Total Market Index ETF** (TSX:VUN). This ETF is extremely cheap, with a management expense ratio (MER) of just 0.16%, or $16 in annual fees on a $10,000 portfolio. The fund has with $4.96 billion in assets under management (AUM) and a high volume traded daily.

Being a Canadian-domiciled U.S. ETF, VUN is not currency hedged, meaning that its value can andwill fluctuate based on the CAD-USD exchange rate. When the USD appreciates vs. the CAD, VUN will gain additional value, and vice versa. Over long periods of time, this evens out, so it’s not worth fretting over.

The Canadian option

The **S&P/TSX Capped Composite** is a market cap-weighted index of all +250 stocks listed on the Toronto Stock Exchange. Compared to the U.S. market, the S&P/TSX Capped Composite is more heavily weighted towards the financial and energy sectors, typical of the Canadian economy.

To track it, you can buy **iShares Core S&P/TSX Capped Composite Index ETF** (TSX:XIC). XIU has AUM of $8.67 billion and high liquidity. It is also significantly cheaper than VUN with an MER of 0.06%. This is extremely low compared to most Canadian ETFs.

XIU also pays a respectable yield, thanks to its many underlying Dividend Aristocrat stocks in the energy, banking, telecom, and utilities sectors. Currently, the distribution yield stands at 3.14% and is paid quarterly. Reinvesting this dividend can significantly boost your returns.

The Foolish takeaway

Both the Canadian and U.S. stock markets are great investments that deserve a place in investor’s portfolios. For many investors, VUN and XIC are great long-term picks if you can stomach the volatility from a 100% equity portfolio.

However, good investors avoid putting their eggs in a single (geographical) basket. The last decade of U.S. outperformance might mean it’s a good time to buy the Canadian index, which outperformed between 2000 and 2010. Therefore, consider buying both VUN and XIC to diversify your holdings a bit.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:VUN (Vanguard U.S. Total Market Index ETF)
2. TSX:XIC (iShares Core S&P/TSX Capped Composite Index ETF)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. tdong

Category

1. Investing

Date
2025/07/19
Date Created
2022/07/04
Author
tdong