3 ETFs You Can Hold for the Next 3 Decades

Description

Not all investment assets are worth holding long term. Take gold as an example. Even though it retains its value and has mostly gone up in the last two or three decades, you might be able to make *more* money with gold by buying it when the stock market is weak and selling it when it's bullish. This allows you to capture the short-term upside, which may accumulate to better gains than holding it consistently.

In contrast, exchange-traded funds, or ETFs, especially the ones that offer you exposure to broad-market indexes and diversified baskets of stocks, might serve you better as long-term holdings. And there are three ETFs you can hold for three or more decades for modestly paced and reliable wealth building.

An S&P 500 ETF

S&P 500 is one of the world's most widely followed indices, covering the 500 largest companies in the United States. One easy way to gain exposure to this time-tested market segment is through the low-cost **BMO S&P 500 Index ETF** (TSX:ZSP). It carries an MER of just 0.09%, making its impact on your wealth accumulation almost negligible, even on the scale of decades.

It has also been a very rewarding ETF. If you had invested $5,000 in it at the time of its inception, almost 10 years ago, you would have grown it to about $20,000 by now (including distributions). That's four-fold growth in a decade — something few TSX *growth* stocks can match, especially if you take into account the consistency of the ETF's growth.

A NASDAQ ETF

If you lean more heavily towards the U.S. tech sector, **Horizons NASDAQ100 Index ETF** (TSX:HXQ) might be a better fit. Even though it carries a much higher MER of 0.28%, its growth since inception has been even more phenomenal.

From April 2016 till now, the ETF has grown your $10,000 to almost $28,000, and that's after the severe slump it's experiencing right now. Your funds' growth (till peak) would have been $38,000.

The reason behind this robust growth and a more brutal slump is the tech-heavy orientation of this fund. It tracks the value of the 100 largest securities on NASDAQ, with each security getting a slice corresponding to its weight. This has resulted in just two companies, **Apple** and **Microsoft**, making up almost a quarter of the fund's total weight.

A Canadian dividend ETF

If you are looking to balance growth in your portfolio with dividends, you can invest in a domestic **FTSE Canadian High Dividend Yield Index ETF** (TSX:VDY). It's made up of 47 Canadian dividend payers, mostly large-cap companies like **Royal Bank of Canada** and **Enbridge**. Half of the top-10 securities in the ETF are the Big Five banks.

The fund makes monthly distributions, and the current 12-month yield is 3.46%. It might not look like much, but the frequency of the distributions plus the strength of the portfolio (as the bulk of it is made up of industry leaders) makes it a worthwhile investment. And even though it's not the ETF's forte, it also offers a modest capital appreciation.

Foolish takeaway

The three ETFs can be held in your TFSA or RRSP for long term — even three or four decades. If they keep performing consistently, you can routinely divert a sizeable portion of your savings towards them every year or whenever they are discounted. This will ensure the reliable growth of your nest egg.

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TICKERS GLOBAL

1. TSX:VDY (Vanguard FTSE Canadian High Dividend Yield Index ETF)
2. TSX:ZSP (BMO S&P 500 Index ETF)

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