Start Your Investment Journey With These 3 ETFs

Description

Investment can be an intimidating journey, especially for people who are only comfortable with savings accounts. But sooner or later, most people realize that the interest rate cannot protect their savings from inflation's impact, and they need to invest to ensure that their savings are growing at a decent enough pace. However, the risks associated with investments can be too much for most investors just starting out.

One good place for these beginner investors to start is low-cost, broad-market ETFs. The learning curve from "what is an exchange-traded fund (ETF)" to actually selecting and investing in the right ETFs can also be much smaller than it is for stocks.

A TSX ETF

For most Canadian investors, the most comfortable place to start is the main Canadian market — i.e., the TSX. And a low-cost ETF like **BMO S&P/TSX Capped Composite Index ETF** (TSX:ZCN) is a great first choice. It comes with an incredibly low management expense ratio (MER) of 0.06%, so even if you keep the ETF in your TFSA or RRSP for three or four decades, the overall "cost of income" would be almost negligible.

The ETF doesn't encompass the entire TSX but rather the 239 largest securities in the country, or roughly 95% of the market. It makes quarterly distributions as well, and together, with the market's capital appreciation, the ETF *is* capable of doubling your capital in about eight years (assuming a healthy market). The distributions can help you start a passive-income stream if you invest a sizeable enough sum.

An S&P 500 ETF

The next natural market for Canadian investors is the U.S. stock market. And one of the most common ways to gain exposure to the U.S. market is by following the S&P 500 index by investing in something like **Vanguard S&P 500 Index ETF** (TSX:VFV). It has been around since Nov. 2012 and has faithfully tracked the underlying index so far. The MER is quite low at 0.09%.

The U.S. market is relatively more aggressive and faster growing than the TSX. Even if we take market crashes like the one in 2020 and recessions into account, the fund might double your money in five or six years. Buying it at a discounted price and holding it for decades can help you grow your retirement nest egg to a decent enough size (assuming you start with enough capital).

A NASDAQ ETF

Another way to gain exposure to the U.S. market, especially the tech side of it, is to invest in NASDAQ. **Horizons Nasdaq-100 Index ETF** (TSX:HXQ), even though it's one of the most affordable ones of its kind in Canada, comes with an MER of 0.28%, which is significantly higher than the other two ETFs on this list.

However, the ETF's return potential is just as aggressive. Even with the current 25% decline, the fund has grown over 114% in the last five years. The recent slump is due to the tech sector decline in North America, and it's a great opportunity to buy this usually high-flying ETF at a discounted price.

Foolish takeaway

The three ETFs can be the perfect starting point for most Canadian investors. In fact, many investors prefer to park the bulk of their capital in these or similar ETFs for steady growth in the long run. The two U.S. ETFs are not a good match from an income perspective, but they can grow your capital at a much faster rate than the TSX one.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:ZCN (BMO S&P/TSX Capped Composite Index ETF)

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