3 ETFs for Investors in Their 20s

Description

When you're in your 20s, there's a lot you can do that investors nearing retirement can't. You can take risks, experiment with different assets, and hold reliable investments for four or five decades to maximize their return potential. You have many more options when you start investing as early as in your 20s, and you should take advantage of them.

A tech sector ETF

Investing in ETFs like **Brompton Tech Leaders Income ETF** (TSX:TLF), made up of securities/companies from just one sector, is a bit riskier than gaining exposure to a relatively diverse segment of the market. However, this risk is steadily shrinking thanks to increased diversity in the tech sector.

And the reason it's worth betting on the tech sector, despite the concentration risk (which refers to the risk that comes from having a large portion of your holdings in a particular market segment relative to your overall portfolio), is the return potential. This particular ETF offers healthy capital appreciation potential thanks to its concentrated exposure to U.S. tech companies. And unlike most tech ETFs, it also provides monthly distributions. The current distribution rate is an impressive 5.4%.

The management fee is relatively high for an ETF (0.75%), but that's justified by its management style, active with covered calls, which is also why it makes such generous distributions. The main advantage of the covered call strategy is that investors receive a guaranteed income as a premium from the sale of a call option.

A momentum-focused ETF

Another ETF that young investors might consider is **CI Morningstar Can Momentum Index ETF** (TSX:WXM). This ETF aims to replicate an index by Morningstar that focuses on some of the most liquid securities on the TSX at any given time. The weight, while not equally allocated to the holdings,is relatively evenly distributed and is not representative of the company's market cap.

Currently, Morningstar has 30 companies in its portfolio. Most of them are mid-to-large cap businesses that include some of the most impressive and consistent growers, like **Constellation Software**. And while the ETF's growth doesn't match the growth of U.S. markets or securities, it's pretty remarkable. It can double your money in about eight years (during a healthy market).

An S&P 500 ETF

S&P 500 is one of the most widely followed indexes in the world. And it's the kind of investment you can keep in your portfolio for decades. One ETF that provides exposure to this index is the **iShares Core S&P 500 Index ETF** (TSX:XUS). It's a low-cost ETF with a MER (management expense ratio) of just 0.1%, which significantly differs it from the other two funds on this list.

The growth potential, however, is even more impressive than the other two. If you had invested in this ETF a decade ago, you would have tripled your capital by now. And that includes the current market correction phase.

If the fund sticks to this pattern, e.g., 300% growth every ten years, you can significantly grow your capital in four or five decades. This makes it an ETF worth diverting a significant portion of your savings to.

Foolish takeaway

These three ETFs offer you exposure to various slices of the market, with different return potentials and costs. The tech ETF might double your capital every five years, and the cost is close to low-cost mutual funds.

And since ETFs have a crucial price advantage in the ETFs vs. mutual funds comparison, mutual funds may not be a good fit for cost-conscious investors.

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