New Investors: 2 Low-Cost BMO ETFs to Buy and Hold Forever

Description

For most investors, passive investing using exchange-traded funds (ETFs), especially those that track broad market stock indexes, is the way to go. There is plenty of evidence out there that investors holding a low-cost, globally diversified stock portfolio will beat the majority of stock pickers.

The key here is to keep your investment portfolio low cost and diversified. While stock picking can be fun, it is also time-consuming, stressful, and prone to underperformance, especially during bear markets. For a long-term, buy-and-hold mentality, using ETFs is a savvy way to invest for retirement.

Today, I'll be reviewing two great, low-cost index ETFs from **BMO Global Asset Management** that investors could use as the core of their portfolios.

BMO S&P/TSX 500 Index ETF

A high-risk, high-reward index favoured by many investors is the S&P 500. This index is comprised of 500 large-cap U.S. equities and is regarded as a benchmark for U.S. stock market performance by retail and institutional investors alike. It is notoriously hard to beat in the long term.

Investors bullish on the U.S. stock market can buy **BMO S&P 500 Index ETF** (TSX:ZSP), which has great daily volume and high overall assets under management (AUM). The ETF is also very cheap, with a management expense ratio (MER) of 0.09%, or $9 in annual fees for a $10,000 investment.

ZSP is not currency hedged, so changes in the CAD-USD exchange rate will add volatility to its daily price movements. If the USD appreciates vs. the CAD, ZSP will gain additional value and vice versa if the CAD appreciates vs. the USD. Keep this in mind before you buy!

BMO All-Equity ETF

The S&P 500 is a great investment, but some international diversification is good. Holding the stocks of Canadian, developed, and emerging markets can offset the chance of the U.S. stock market performing poorly for an extended period of time, like with the “lost decade” of 2002-2009.

BMO All-Equity ETF Portfolio (TSX:ZEQT) is possibly one of the best worldwide equity ETFs available to Canadian investors. The ETF grants instant exposure to thousands of stocks covering U.S., Canadian, developed, and emerging markets with a single investment, making it a great hands-off investment.

With ZEQT, you never have to try and determine which stocks will do well, which market cap size will gain more, which sector will outperform, or which country will pull ahead. For an MER of 0.20%, you gain a complete stock portfolio and don’t have to worry about re-balancing it.

The Foolish takeaway

Both ZSP and ZEQT are fantastic choices for young investors with a high risk tolerance and aggressive growth objectives. Because both ETFs are 100% stocks, investors should only buy them if they can withstand high volatility and fluctuations in their portfolio value. These ETFs are appropriate for long-term investors who can consistently make contributions and stay the course. If you’re older or have a lower risk tolerance, consider adding some bonds to reduce volatility and drawdowns.

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1. TSX:ZEQT (BMO All-Equity ETF)
2. TSX:ZSP (BMO S&P 500 Index ETF)

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