



## How to Start Investing in U.S. Stocks

### Description

So, you've opened a [brokerage](#) account, funded your [TFSA](#) / [RRSP](#), and are ready to begin investing in the U.S. stock market. If you're looking at a long page of tickers, you might start feeling confused. Which stocks are buys? Which ones are less risky? How do you know if this stock is a good long-term hold?

While you can get some sound investment ideas reading up on the picks other Foolish writers have selected, my suggestion is getting your feet wet and starting your U.S. stock investing journey via an [exchange-traded fund](#), or ETF. These funds trade on exchanges and contain portfolios of various stocks.

A very common type of ETF is the [index fund](#), which tracks a passive portfolio of stocks according to a set of rules. A smart way to start investing in the U.S. stock market is via index ETFs that track either the **S&P 500 Index** or the **CRSP Total U.S. Market Index**. Let's take a look at some low-cost options today!

### S&P 500

The S&P 500 is a famous stock market index that tracks the largest 500 public companies listed on U.S. exchanges. It's used as a measure of overall U.S. stock market performance and is regarded as the standard benchmark for professional fund managers to beat.

The stocks in the S&P 500 are mostly mega, large, and mid-cap stocks comprising all 11 [stock market sectors](#), with 27% concentrated in the technology sector. Since its inception in 1957, the index has delivered a solid 10% average annualized return with dividends reinvested.

A great way to buy the S&P 500 in Canadian dollars is via the **Vanguard S&P 500 Index ETF** ([TSX:VFV](#)). VFV costs a management expense ratio (MER) of just 0.08%, or \$8 annually in fees for a \$10,000 investment, which is extremely cheap compared to actively managed [mutual funds](#).

## CRSP Total U.S. Market

The U.S. stock market doesn't just end at 500 stocks though. The stocks in the S&P 500 comprise around 82% of the total U.S. market, but there's still another 18% worth of mid- and small-cap stocks worth buying. This is where the **Vanguard U.S. Total Market Index ETF** ([TSX:VUN](#)) comes in.

VUN tracks the **CRSP Total U.S. Stock Market Index**, which holds over 3,500 large-, mid-, and small-cap stocks listed on U.S. exchanges across all 11 sectors. This makes the VUN more diversified than VFV, with a slightly higher level of risk and return due to the inclusion of more volatile small caps.

Compared to VFV, VUN is more costly with an expense ratio of 0.16%. For a \$10,000 investment, this works out to around \$16 in annual fees, which is twice as much as VFV but still very affordable compared to mutual funds. If your goal is to buy the whole U.S. stock market, VUN might be the better pick.

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:VUN (Vanguard U.S. Total Market Index ETF)

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