



## 2 Low-Cost Index ETFs for Beginner Investors

### Description

For beginner investors, [passive investing](#) using [exchange-traded funds \(ETFs\)](#), can be a less stressful and more hands-off alternative to stock picking. Investing passively using ETFs also eliminates bad investing habits like panic-selling or chasing “hot” stocks.

A great option is the index fund, which tracks a diversified portfolio of stocks selected according to preset rules. Today, I'll be reviewing two low-cost ETFs from **Vanguard** and **iShares** that investors can count on as the core of their long-term investment portfolios.

### Vanguard S&P 500 Index ETF

A high-risk, high-reward index favoured by many investors is the S&P 500 Index. The S&P 500 tracks 500 large-cap U.S. equities. It's regarded as a benchmark for U.S. stock market performance by retail and institutional investors alike, and has returned a 10% annualized since 1957 with dividends reinvested. Even Warren Buffet endorses it, having selected it as the investment of choice for his sprawling estate.

Canadian investors can buy the **Vanguard S&P 500 Index ETF** ([TSX:VFV](#)). With \$6.5 billion in assets under management (AUM), VFV is the most popular S&P 500 ETF listed on Canadian exchanges, and for good reason too. The ETF is very cheap, with a management expense ratio (MER) of just 0.08%. This works out to around \$8 in annual fees for a \$10,000 investment.

### iShares S&P/TSX 60 Index ETF

Canadians who want to invest in the domestic stock market can do so via the S&P/TSX 60 Index, which can be thought of as the Canadian S&P 500. This index is comprised of 60 large cap, blue-chip Canadian stocks from mostly the financial and energy sectors. Like the S&P 500, it's regarded as a benchmark for Canadian stock market performance by retail and institutional investors alike.

A great option here is the **iShares S&P/TSX 60 Index ETF** ([TSX:XIU](#)). XIU has a massive \$11 billion

assets under management (AUM), making it the most popular Canadian ETF of all time. In fact, XIU was the first ever Canadian ETF to debut way back on September 28th, 1999. The ETF is relatively cheap, with a management expense ratio (MER) of 0.20%, or \$20 in annual fees for a \$10,000 investment.

## The Foolish takeaway

Regardless of your final choice, both VFV and XIU are fantastic low-cost, simple investments. For beginners, either ETF is a great choice for getting your feet wet while you research stocks to pick. For extra diversification, buying both ETFs could be a great way to mitigate risk if the U.S. or Canadian market performs poorly. Either way, if you decide to buy, it's a good idea to make consistent deposits, reinvest dividends, and stay the course when the markets get rocky!

### CATEGORY

1. Investing
2. Stocks for Beginners

### TICKERS GLOBAL

1. TSX:VFV (Vanguard S&P 500 Index ETF)
2. TSX:XIU (iShares S&P/TSX 60 Index ETF)

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