



How the Right Investment Mix Can Make Your TFSA Soar

Description

Your Tax-Free Savings Account, or TFSA, is a great place to hold high-growth or high-income investments like equities. Selling for a profit within this account will not incur capital gains tax, and dividends are shielded as well, making it a great tool to help grow wealth long term.

The keyword here is “long term”. Undoubtedly, investors can blow up their TFSA trying to chase short-term growth at all costs in many ways. Investments like leveraged funds, penny stocks, and meme stocks should be avoided. Finding the right investment mix is key.

Thanks to the advent of [exchange-traded funds, or ETFs](#), finding the right investment mix has never been easier. Actually, you can even do so with a single ticker. By the end of this article, you’ll be able to put together a solid TFSA portfolio that can be held for life!

Why use an ETF?

A key part of the [Motley Fool’s investment philosophy](#) is [diversification](#). Simply put, this means spreading the risk in your portfolio amongst different types of stocks, as well as other assets like bonds or cash.

Today, we’ll be focusing on a 100% stock portfolio, which is volatile and thus best suited for young, risk-tolerant investors seeking maximum growth. When it comes to stocks, diversification means following these best practices:

- Holding stocks from all 11 [stock market sectors](#).
- Holding a mix of [U.S.](#), Canadian, and international stocks.
- Holding large-, mid-, and small-cap stocks according to their [market cap](#) weights.

Obviously, buying enough individual stocks to satisfy this criteria can be difficult. This is where ETFs come in. Some ETFs are broad-market, meaning that they contain hundreds, if not thousands, of stocks from various stock markets. By buying a share of these ETFs, you get a complete portfolio.

Which ETFs to buy?

I'm a fan of Vanguard's asset allocation ETFs. These ETFs contain thousands of Canadian, U.S., and international stocks and bonds in a single ticker.

For a truly hands-off buy-and-hold strategy, investors can buy the **Vanguard All-Equity ETF** ([TSX:VEQT](#)), which is 100% global stocks with a 30% Canadian tilt.

That being said, if you want to try your hand at picking Canadian stocks, a good alternative is the **Vanguard FTSE Global All Cap ex Canada Index ETF** (VXC), which excludes Canadian stocks.

A possible idea here is to buy VXC in your TFSA and supplement it with a few high-conviction Canadian stock picks (and the Fool has some great suggestions below).

Regardless of your choice, always remember to consistently contribute to your investments, reinvest dividends, never try to time the market, and stay the course even if a crash occurs.

CATEGORY

1. Investing
2. Stocks for Beginners

TICKERS GLOBAL

1. TSX:VEQT (Vanguard All-Equity ETF Portfolio)
2. TSX:VXC (Vanguard FTSE Global All Cap ex Canada Index ETF)

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