How I'd Invest in a TFSA Today if I Were Starting Over

Description

As a stock market enthusiast, I often revisit my Tax-Free Savings Account (TFSA) and regret the poor choices I made in my younger days, such as investing in penny stocks and weed stocks. These mistakes serve as a valuable lesson on the importance of diversification.

Sure, speculative assets like these can lead to mind-blowing double-digit returns. Though more often than not they incur high volatility and leave investors with heavy losses. It's worth remembering that sound investing is a marathon, not a sprint. Chasing high returns can often lead to ruin.

If I had to start over today with my TFSA investments, I would hold a globally diverse, low-cost exchange-traded fund (ETF) instead. Here's why this approach would be beneficial for most Canadian investors, along with a low-cost ETF pick for kick-starting this strategy.

Why diversify this much?

Diversification involves investing in a wide range of stocks from various sectors, market capitalization sizes, and geographical locations. For example, I may add Canadian and international stocks to complement a U.S. stock portfolio, and small caps to round out large caps.

Diversification helps reduce the risk of a single stock, sector, or country performing poorly and impacting your entire portfolio. Additionally, including safer, low-risk assets such as high-quality bonds or even cash in your portfolio can reduce its overall volatility.

Why you should invest in ETFs

Diversification requires picking a lot of stocks. It can be challenging to build a well-diversified portfolio by purchasing individual stocks in the dozens, if not hundreds. An ETF offers a simple solution by holding hundreds or thousands of stocks and bonds in a single ticker.

If I were starting over with my TFSA today, my top ETF pick would be the **iShares Core Growth ETF Portfolio**

(TSX:XGRO), which holds over 20,000 stocks and bonds from U.S., Canadian, and international markets with a low 0.20% expense ratio.

By buying XGRO, I no longer have to worry about earnings reports or timing the market. This ETF allows investors to invest in the world's stock market with a Canadian home-country bias. With XGRO, investing can be boiled down to buying more, reinvesting dividends, and holding long term.

XGRO was intended to be an all-in-one "core" portfolio holding. While you can experience good success investing in nothing but XGRO, a way to take it to the next level is by adding a few high-conviction stock picks. A great choice here would be Canadian dividend stocks, for which the Fool has some great suggestions down below!

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tdong