



ETF Investing: Take What the Market Offers

Description

Exchange-traded funds (ETFs) have risen considerably in popularity in recent years. Investors seeking the security of index investing without the return-eating fees of index and [mutual funds](#) have flocked to ETF investing.

These investment products seem to offer the [best of both worlds](#) in that they trade like stocks but can track large indices, all for the cost of a few basis points. For investors looking to just try and match the market, ETFs are a great way to go.

After all, it's pretty hard to beat the market. So, many investors are content with just matching the market and moving on. While this used to come at a large price in days past, now, with ETF investing, it's possible to do this for much cheaper.

Today, we'll look at an S&P 500 ETF that investors can use to follow the returns of the broader market.

Vanguard's S&P 500 Index ETF

Vanguard offers a great ETF investing product with its **S&P 500 Index ETF** ([TSX:VFV](#)). It's an ETF that tracks the performance of the S&P 500 very closely, with a rock-bottom MER of 0.09%.

That type of fee is a mere pittance when compared to traditional funds that might ask for 1-2%, or even more. Canadian investors can put money into this powerhouse index without worrying about fees eating into returns with VFV.

It's important to note that Vanguard also offers a hedged version, but in the long run, you'll likely be better off unhedged. There's also something to be said for just holding a U.S.-based S&P 500 ETF rather than VFV, since you're unhedged anyway, but there are more complications there, such as the account type where you're holding the investment.

The main draw of ETFs like VFV is that the S&P 500 is very tough to beat. It often offers returns in the 7-8% range with much consistency. Getting access to that without much work and low fees is definitely

attractive.

When ETF investing with a stock like VFV, it's important to remember this isn't a great passive-income investing option. That's because even though you'll have high total returns, most of it is in share price appreciation rather than dividends. VFV only offers a dividend of 1.1% as of this writing.

However, for investors focused solely on total returns, VFV is a great option for slow and steady investors looking at the long term.

ETF investing plan

Not all ETFs track large indices like the S&P 500. There are many ETFs out there that take a more active approach. However, these ETFs typically come with much higher fees.

Investors looking to park money somewhere will be much more interested in ETF investing with VFV. You'll barely notice the MER and, over time, the total return potential is very high.

While individual stock picking of course has its merits, index-tracking ETF investing is another powerful tool that Canadian investors can harness. With tiny fees and potential for great performance, those looking for passive-investing options will want to check out VFV.

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