Creating an ETF balanced portfolio that does not need to be constantly managed.

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Establishing an ETF portfolio is not as simple as it used to be. When they first came onto the scene the only option was a country or region specific index ETF that was passively managed.

Today there are as many ETF's on the market as there are individual stocks. This has created a real challenge for investors who do not want to make investment decisions. However the combination of high mutual fund fees combined with mediocre investment performance has led many investors to seek alternatives for their life savings.

ETF Investment Options

- Active vs Passively managed Index
- Hedged vs Unhedged – foreign currency exposure
- Equal Weight vs Market Cap Weight
- Equity Sector vs Index
- Global vs Domestic
- Leveraged vs Non Leveraged
- Canadian $ settlement vs. US $ settlement
- Dividend vs Growth
- Value vs Growth

The above list is not all inclusive with new types of ETF's being created every day.

As I have written in past newsletters, I still prefer a diversified portfolio of mainly individual stocks combined with some equity and fixed income ETF's.

However I know that many investors really do not want to be involved with making daily investment decisions and prefer that their capital is invested on some type of auto pilot basis. The ETF portfolio I am providing should greatly help these types of investors and only needs to be rebalanced periodically.

Sample ETF portfolio

Cash and Equivalents

High Interest savings ETF's are not CDIC insured and involve paying a commission to purchase them. Consequently I do not recommend these ETF's.

Most financial institutions and custodians offer an Investment Savings Account for both Canadian and US funds. While the interest rate is lower, they do offer CDIC insurance protection for the Canadian dollar ones. Unfortunately the US savings accounts are not CDIC insured. These accounts are available for all types of accounts including registered, non registered and TFSA's.

Although not as convenient, I still advise using both EQ Bank and Alterna Bank High Interest Savings Accounts. They both offer superior yields and the Canadian deposits are CDIC insured, but the US ones are not insured. The only real disadvantage is that these accounts are not available to RRSP and TFSA investors.

Fixed Income

- BMO Corporate Bond ETF **ZCB**
- iShares Short Term **XSB**
- iShares Floating rate **XFR**
- iShares 1-5 year Corporate Ladder **CBO**
- iShares 1-5 year Government Ladder **CLF**

While there are longer term bond universe ETF's available, I do not recommend them in a period of rising interest rates.

Canadian Preferreds

- Horizons Active Management Preferred ETF – **HPR**

Please keep in mind that rate reset preferreds do well in a rising rate environment, but do poorly in a falling rate one.

Canadian Equity

- iShares TSX capped **XIC**
- BMO capped Canadian Equity **ZCN**

US Equity

- SPDR - US $ **SPY**

– subject to US withholding tax on dividends for non registered and TFSA's not subject to US withholding taxes in RRSP's

Global Equity

- iShares EAFE US $ **EFA**

– Europe, Australia, Asia and Far East subject to foreign withholding taxes for all types of accounts including RRSP's

Emerging Markets

Due to the ongoing headwinds in Emerging Markets from a rising US dollar, I do not recommend an investment in this region at this time.