YOUR GUIDE TO

ETF Investing

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ETFs: Building A Better Future For Investors

Currency Exposure: To Hedge or Not to Hedge?

Finding Liquidity with Fixed Income ETFs

Investing in sectors with ETFs

The high impact of low cost investments

PLUS:

A Directory of **ETF Providers and Related Professionals**

An ETF Portfolio That Matches Your Goals (and personality)

Daniel Morton

Before you get bogged down in financial noise, take a step back and think of what you are trying to accomplish.

Placing your goals into "buckets" can make it easier to decide what strategy to pursue. In this article we'll explore the big 3 "buckets" most people require and the optional 4th bucket that can keep some ETF investors out of trouble.

The rainy day bucket. This is your emergency, just in case fund. Having this low risk bucket on hand can allow you to take manageable risks in your long-term portfolio. The goal is to have the means to cover your short-term expenses to give you the confidence to stick with your investment plan. Short-term fixed income ETFs could fit the bill.

The retirement bucket. Depending where you are in life, the need for long-term growth will vary but let's be optimistic and assume you will still be spending money 10 years from now. With time comes risk tolerance, returns from stocks are much more stable over 10 year periods than they are in any given year. Many investors can take volatility in this bucket because they have a longer horizon to potentially recover from losses. This money isn't meant to be needed tomorrow. In fact, you can look at bear markets as an opportunity to buy ETFs at a potential discount. How many people wish they had been dollar cost averaging into equities in 2008? Sticking with your plan and thinking big picture can help to make it easier to sleep at night and increase the chances of meeting your long-term goals. This bucket is where you could consider placing your high growth equity ETFs that may be prone to short-term losses.

The keeping your wealth bucket. Once your retirement bucket is funded, the next concern for most ETF investors is how to keep their wealth. Inflation can be the greatest risk to an investor's savings over the long term. Some growth above inflation is needed to help maintain your purchasing power. For many, some risks need to be taken to help achieve this growth, and we believe that this is okay. Consider that your short-term expenses are already fully funded by your short-term bucket. This leaves you room to consider ETFs that are likely to be positive over a five to 10-year period. A balanced portfolio consisting of fixed income and equity ETFs could be the solution. For those concerned with keeping already established wealth, a tactical portfolio could be put in place to help limit large losses at the cost of some upside growth.

The dare to be great bucket. Almost everyone wants to be the next Warren Buffett. While few can live up to this lofty goal, most of us can't help but try. The good news is your portfolio doesn't have to be an all or nothing solution. You can set aside a portion for your own ETF selection. Individual country or sector ETFs could have a place here. Having this bucket to tinker with can help keep your hands off the rest of your portfolio.

Many investors go wrong when they can't follow their long-term plan. Framing your portfolio by buckets could be a solution for you to confidently follow your investment plan throughout your life.

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Daniel Morton Associate Investment Advisor, CIM® and The Morton Group of TD Wealth Private Investment Advice have been managing the wealth of a select group of Canadian families, trust, and foundations for the past 39 years.

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