stackwell

ETFs: Why the hype?

Exchange-traded funds (ETFs) are investment funds that trade like stocks on an exchange. ETFs hold a collection of stocks, bonds, or other assets, and provide investors with exposure to a diversified portfolio in a single investment. ETFs are bought and sold throughout the day on stock exchanges, at prices that change based on supply and demand.

ETFs are popular due to their ability to provide diversification, liquidity, transparency, cost-efficiency, flexibility, and access to a wide range of investment options. They are a convenient and low-cost way for individual investors to invest in a broad range of assets, without having to buy and manage each security individually. They appeal to both new and experienced investors seeking to achieve their financial goals through investment across a variety of markets, sectors or investment strategies.

Putting it Into Context

One of the most common types of ETFs are funds that track the performance of the S&P 500. Historically, the average annual rate return of the S&P 500 is about 8.5% when you adjust for inflation. Compare this to the average return on a savings account which is typically less than 1%. Just being in the market and taking a long-term diversified approach is a powerful thing.

This is core to our investment philosophy at Stackwell so we built portfolios that give you access to investments that represent the foundational building blocks of a well-diversified portfolio!