Ask questions to avoid investing

As much as possible, pick assets that are not very correlated with each other

Before you take the plunge into ETFs, ask yourself some key questions to ensure that the ETF is good for your portfolio. Your first question should be: “Am I ready to invest?”

If you are investing for a long horizon such as retirement, a broad-based re-
gional or global equity or bond ETF can be a core holding. You could supplement a core portfolio of equities and bonds with more targeted risk-taking on the margin. For the last-mile, look for ETFs that can offset the counterparty exposure by in-
creasing the breadth of holdings.

Should you have a short horizon, as you will likely be taking an opportunistic
bet on a market or some targeted sectors, quick and easy one. Can invest in a portfolio of ETFs and adjust its weights to reflect your views on sectors and coun-
tries.”

Know your costs. Different ETFs will carry varying expense ratios. There are di-
verse costs associated with trading ETFs, which in-
clude a brokerage fee and bid-ask spread. Know the ETFs struc-
ture. As the accompanying table explains, differ-
ent ETF structures are linked to various risks. It is best that you take the time to understand the risks, so as not to be blindsided by a risk factor introduced by mar-
et or other party, and be alert to any occurrence of a potential con-
flict or potential conflict is required to be disclosed in the prospectus.

Counterparty risk is an additional risk exposure that is linked to any
issuer or counterparty of a swap. The risk is that the issuer or counterparty will fail to deliver the
contractual obligations. A detailed discussion on counterparty risk is beyond the scope of this
article.

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