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Making the Most of Your Money

By [Susan Carr-Templeton](#) / 02/24/11 [RSS feed](#) [Like](#)

Why You Should Include Indexing In Your Investment Portfolio

First you should note that I come from a long background of working with active portfolio management which means that my past firms managed money by actively picking stocks and bonds. Indexing was the enemy because if a client chose to index, it meant that they didn't hire us. However, as I watched the carnage in 2008 when actively managed mutual funds should have provided some protection, very few did so. To make matters worse, index mutual funds or index exchange traded funds (ETF's), many of which are weighted by market capitalization (which means higher PE stocks have a higher weighting in the fund) outperformed active managers.



I have since become an advocate for Indexing using ETF's for that reason. I do not completely shy away from active or managed funds as there are some managers that have shown to add value over an index, therefore, are worth their high fee. But now, ETF's make up the majority of my client portfolios.

You can build a diverse portfolio using ETF index funds or mutual funds and gain exposure to almost any segment of the market that you desire. The important characteristic of your portfolio is that it should be diversified. The benefits of indexing (unlike most mutual funds) include the low management fees, the ability to buy and sell into the fund during the day and no sales charges or early redemption fees. Try to stick with the established and larger ETF index funds as the small ones can have a discrepancy between the price in which it is selling and the real underlying value.

My favorite ETF's that are almost consistently in my client portfolio's are: I Shares S&P Global Energy (IXC), Vanguard High Dividend Yield Index ETF (VYM), IPath Agriculture ETN (JJA), SPDR Barclays TIPS (IPE), Financial Select Sector SPDR (XLF) and Vanguard Information Technology ETF (VGT).

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[Susan Carr-Templeton](#) is a personal wealth advisor with more than 20 years of investing experience. In addition to managing Stafford Wells Advisors, Susan volunteers on the investment committee for the Advocate Foundation.

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