

Assessing your understanding

Principles for successful investing – Exchange Traded Fund (ETF)

1. How does an Exchange Traded Fund (ETF) differ from a mutual fund?
2. How may ETFs and mutual funds be used to achieve different investment objectives? Are systematic withdrawals a goal for your portfolio?
3. Where does an investor go to purchase an ETF? Is it different than purchasing a mutual fund?
4. Many mutual funds are actively managed portfolios of securities. Are ETFs actively managed?
5. How is an index mutual fund different from an ETF? How might they be similar?
6. Generally, do ETFs offer the investor a cost/expense advantage over a mutual fund? Explain.
7. List several large-cap ETFs. Do they have the same annual expense ratio?
8. List several mid-cap ETFs. How do the expense ratios differ? Why?
9. How frequently can ETFs be bought or sold? Is that the same for mutual funds?
10. ETFs trade on an exchange, where the price is determined by buyers and sellers. What keeps an ETF from trading very far from the underlying value of the assets in the ETF?