

PASSIVE INVESTING FOR BEGINNERS IN EUROPE (updated 25/10/2022, revised on 10/10/2023)

HOW DO I START INVESTING TOMORROW?

If you choose to implement a passive investment strategy you can buy ETFs from [DEGIRO](#).

Note: If you live in Spain, there is also an option of purchasing index funds instead of ETFs, see a separate document on passive investing in Spain.

BUYING ETFs

ETFs are traded as stocks. You always have to buy an exact amount of stocks. Example: if the ETF is traded at 51Eur you can buy 1 stock (51Eur), 2 stocks (102Eur), 3 stocks (153Eur), etc and thus can not invest Eur 125 or Eur 75.

DEGIRO has a broad selection of [commission-free ETFs](#). What does it mean? In the past you did not pay a commission for the purchase of these ETFs provided you made only one transaction per month. Today, every calendar month you can make a purchase of an ETF from this list without paying any commission, but you are still charged a handling fee of 1€.

If you consider long-term investing following a dollar-cost averaging strategy this is still a rather low-cost solution considering alternatives, but I would recommend spending at least 200 euros per ETF and holding it there for 2-3 years. If you prefer to make a lower monthly contribution you better consider using automatic investment platforms (e.g. Indexa Capital).

Which S&P 500 ETF should I buy?

ETF replicating [S&P 500 index](#) is a wise choice for a beginning investor.

Here are a few options currently available on DEGIRO commission-free list, the top two being my personal preference:

ISIN number	Name	TER	Accumulating	Comments
IE00BH4GPZ28	The S&P 500 ESG Leaders index tracks the largest US companies	0.10%	Accumulating	S&P 500 where they took out non-green and

	selected by ESG criteria.			controversial companies
IE00B5BMR087	iShares Core S&P 500 UCITS ETF USD (Acc)	0.07%	Accumulating	The classical one. One share is 430eur, so you can only invest 430, 860, 1300 etc. Not useful for small investments
IE00B3WJKG14	S&P 500 Capped 35/20 Information Technology Sector Index	0.15%	Accumulating	Not a real S&P 500. Contains 76 Technology companies out of 500.
LU1681048804	AMUNDI S&P 500 UCITS ETF - EUR (C)	0.15%	Accumulating	In EUR
IE00BZWOK18	iShares S&P 500 EUR Hedged UCITS ETF (Acc)	0.20%	Accumulating	The exchange rate risks is hedged
IE00BRKWGL70	Invesco S&P 500 UCITS ETF EUR Hdg Acc	0.05 + 0.4	Accumulating	The exchange rate risks is <u>hedged</u> , so there will be less fluctuations based on currency exchange. Considerably higher cost.

Please note that I only advise purchasing accumulating ETFs for a faster compounding effect.

Is there an alternative to S&P 500?

Yes, you could consider purchasing an ETF replicating [World index](#). It is more diversified, so less risky theoretically. Historically it brought less returns and still went down a lot in times when the stock markets fell.

[iShares Core MSCI World UCITS ETF USD \(IE00B4L5Y983\)](#)

Attention! You need to make sure you buy it from the Amsterdam exchange, so you do not pay commission.

Management fees are 0,2% (considerably more expensive than S&P 500 ETFs of my choice, so that is why I don't like it too much).

This ETF replicates The [MSCI World Index](#), which is “designed to represent the performance of large and mid-cap stocks across 23 developed markets. With more than 1.600 constituents, it covered approximately 85% of the free float-adjusted market capitalization in each country as of December 2018.”¹

The top 10 positions in the fund represent 18,62% of total and are: Apple (5%), Microsoft (3,77%) , Amazon (2,33%), Tesla, Alphabet (Google) (1,02%), United Health group, Johnson & Johnson, NVIDIA, EXXON mobile group, 70% of your funds will be allocated in the US companies, 6% in Japan, 4.2% in the UK².

I purposely do not talk about the rentability of this product as past returns do not promise any profits for the future. You can research it for yourself.

¹

² Info valid in Oct 2022

What if I want to build a portfolio of ETFs?

I personally do not recommend this strategy for beginners and for monthly contributions below 1000 euro.

If you are planning to build a portfolio, it is important to define your strategy first.

You may want to select different ETFs for different reasons.

Different strategies:

1. Strategy 1: Geographical spread. Here you select different ETFs for different markets (example USA, Europe, emerging markets)
2. Strategy 2: Industry focus. Here you decide to pick a few industries which you like (believe) to offer you higher potential growth. (example: clean energy, industrials, consumer goods, smart city, artificial intelligence). This is a very good tool to select the industry which is in upper trend and get an idea of what is there <https://www.finviz.com/groups.ashx>

Can I buy individual stocks on DEGIRO?

DEGIRO also allows you to buy individual stocks, the platform offers a big selection of stocks from the world's biggest stock markets. It is not advisable to start investing by buying individual stocks, as you are unlikely to build a diversified portfolio. Before you buy individual stocks, make sure to acquire ETFs.

Legal statement from Elena O.Perepelova:

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