FREE GUIDE

MASTERING ETFs SERIES

THE ETF CHEAT SHEET

EVERYTHING YOU NEED TO START INVESTING IN ETFs

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10 PAGES. EVERYTHING THAT MATTERS.

- The 5 ETFs every investor should know
- How to buy your first share
- The 3-fund portfolio on one page
- Dividend & tax basics
- The 10 biggest beginner mistakes

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What Is an ETF?

THE ONE-SENTENCE ANSWER

An ETF (Exchange-Traded Fund) is a basket of many investments bundled into a single share you can buy like a stock. Buy one share of an S&P 500 ETF and you own a tiny slice of 500 American companies.

WHY INVESTORS USE THEM

- Instant diversification — one purchase spreads your money across hundreds or thousands of companies.
- Low cost — many charge 0.03%–0.10% per year. That's $3–$10 annually per $10,000 invested.
- Simplicity — no stock picking, no research on individual companies, no guessing.
- Liquidity — they trade all day like a stock, so you can buy or sell whenever markets are open.
- Tax efficiency — their structure generally triggers fewer taxable events than mutual funds.

ETF VS. MUTUAL FUND VS. INDIVIDUAL STOCK

	ETF	Mutual Fund	Single Stock
Trades	All day	Once daily	All day
Typical cost	Very low	Higher	No fee, high risk
Diversification	Built in	Built in	None
Minimum	1 share	Often $1,000+	1 share
Best for	Most investors	401(k)s	Experienced only

THE BIG IDEA

You do not need to find the next great company. You can simply own all of them, cheaply, and let the market's long-term growth work for you. That is the entire premise of ETF investing.

The 5 ETFs Every Investor Should Know

These five cover the vast majority of what a U.S. investor needs. Learn these and you understand 90% of the ETF world.

Ticker	Tracks	Holdings	Best For
VOO	S&P 500	~500 large U.S. companies	The classic starting point
SPY	S&P 500	~500 large U.S. companies	Traders — deepest options market
VTI	Total U.S. Market	~3,500 companies	Owning the entire U.S. market
QQQ	Nasdaq-100	~100 tech-heavy companies	Growth and innovation exposure
IWM	Russell 2000	~2,000 small companies	Small-cap exposure

HOW THEY DIFFER IN PLAIN ENGLISH

- VOO and SPY hold the same 500 companies. VOO is generally cheaper to own; SPY is better for options trading.
- VTI holds everything VOO holds, plus ~3,000 smaller companies. More complete, nearly identical performance.
- QQQ excludes financials and is heavily weighted toward technology — higher growth, higher volatility.
- IWM holds small companies — more volatile, but this is where tomorrow's large caps begin.

INCOME-FOCUSED ETFS WORTH KNOWING

Ticker	What It Does	Typical Yield
SCHD	~100 quality dividend-growth companies	~3%
JEPI	S&P 500 exposure + options income, paid monthly	~8%
BND / AGG	Total U.S. bond market, paid monthly	~4%
VNQ	U.S. real estate (REITs)	~4%

IF YOU ONLY BUY ONE

Most beginners start with VOO or VTI. Both give you broad, low-cost ownership of American business. The difference between them is small — far smaller than the difference between investing and waiting.

How to Buy Your First Share

STEP BY STEP

1. Open a brokerage account. Fidelity, Schwab, and Vanguard are all reputable and charge $0 commissions on ETF trades. Opening takes about 15 minutes online.
2. Choose the right account type. A Roth IRA grows tax-free and is ideal if you qualify. A 401(k) through work may offer matching — always take the match first. A regular (taxable) brokerage account has no limits but you pay tax on gains and dividends.
3. Transfer money in. Link your bank account. The transfer usually clears in 1–3 business days.
4. Search the ticker (e.g. VOO) and select Buy.
5. Choose your order type. Use a LIMIT order — you set the maximum price you'll pay. Market orders fill instantly at whatever the current price is, which is usually fine for large ETFs but gives you less control.
6. Enter share quantity (or dollar amount if your broker supports fractional shares) and submit.
7. Turn on dividend reinvestment (DRIP). This automatically buys more shares with your dividends — the compounding engine.
8. Automate it. Set a recurring monthly investment and stop watching the price.

ORDER TYPES IN 20 SECONDS

Type	What It Does	When to Use
Market	Buys immediately at current price	Large, liquid ETFs; speed matters
Limit	Buys only at your price or better	Default choice — gives you control
Stop	Triggers a sale if price falls to X	Risk management on trades

THE MISTAKE TO AVOID

Waiting for the 'right time' to start. Decades of data show that investing on a schedule beats waiting for a better price, because markets rise more often than they fall. The best time to start was years ago; the second best is your next paycheck.

The Numbers That Actually Matter

FIVE METRICS, EXPLAINED SIMPLY

1. EXPENSE RATIO — the only cost you fully control

The annual fee, as a percentage. 0.03% = $3 per $10,000 per year. Over 30 years, the difference between a 0.03% fund and a 1.00% fund can consume roughly a quarter of your final wealth. Always check this number. Lower is better, and it is the most reliable predictor of long-term results.

2. DIVIDEND YIELD

Annual dividends divided by price. A 3% yield on $10,000 pays about $300 a year. Important: a very high yield is usually a warning sign, not a bargain.

3. TOTAL RETURN — the honest scoreboard

Price change PLUS dividends. A fund can pay a 12% yield while its price falls 15%, leaving you down. Always judge on total return, never on yield alone.

4. AUM (ASSETS UNDER MANAGEMENT)

How much money the fund holds. Larger funds (over $1 billion) are generally more liquid, cheaper to trade, and less likely to close.

5. HOLDINGS & CONCENTRATION

What the fund actually owns, and how much sits in its largest positions. If the top 10 holdings are 40%+ of the fund, you are less diversified than the total holding count suggests.

QUICK REFERENCE: WHAT'S NORMAL

Metric	Good	Caution
Expense ratio	Under 0.20%	Over 0.75%
Fund size	Over $1 billion	Under $100 million
Dividend yield	2–6%	Over 15% — investigate
Top-10 weight	Under 35%	Over 50%

The 3-Fund Portfolio

The simplest complete portfolio ever designed. Three funds, total global diversification, under 0.10% in fees. Popularized by the Bogleheads community and endorsed by countless financial writers.

THE THREE PIECES

Fund	Role	What It Gives You
VTI	Total U.S. stock market	Growth engine — ~3,500 U.S. companies
VXUS	Total international stocks	Global diversification outside the U.S.
BND	Total U.S. bond market	Stability and income; cushions crashes

ALLOCATION BY LIFE STAGE

Your Stage	VTI	VXUS	BND	Character
20s–30s	70%	20%	10%	Aggressive growth
40s–50s	55%	25%	20%	Balanced
60s+	40%	20%	40%	Capital preservation

HOW TO RUN IT

- Buy all three in your chosen percentages.
- Add money monthly, split across the same percentages.
- Rebalance once a year — sell what grew, buy what lagged, back to target.
- Ignore the news. Check quarterly at most.

WHY THIS BEATS COMPLEXITY

Studies consistently find that roughly 90% of professional fund managers fail to beat a simple index over 15-year periods, after fees. Three funds and patience outperform most experts — not because you're smarter, but because you're cheaper and you don't trade.

Dividends & Income Basics

HOW DIVIDENDS WORK

Many ETFs pay you cash simply for holding them — typically quarterly, sometimes monthly. That cash comes from dividends the underlying companies pay, interest from bonds, or option premium in income funds.

THE THREE DATES

Date	Meaning
Ex-dividend date	Buy on or after this date and you do NOT get the payment
Record date	The day the fund confirms who owns shares
Payment date	Cash lands in your account

THE EX-DIVIDEND TRAP

On the ex-dividend date, the share price drops by roughly the dividend amount. Buying right before a dividend to 'capture' it gains you nothing — you receive cash and lose equal value, plus you create a tax bill. Ignore dividend dates when deciding when to buy.

YIELD ON COST — THE PATIENCE PAYOFF

If you buy a fund yielding 3% and its dividend grows 10% per year, after a decade you're earning roughly 8% annually on your original investment — while new buyers still get only 3%. Time, not timing, produces this.

DRIP — TURN IT ON

Dividend reinvestment automatically buys more shares with every payment. Those shares pay their own dividends. It is free, automatic, and it is the single most powerful setting in your brokerage account during your saving years. Turn it off only when you need the income to live on.

WARNING: THE YIELD TRAP

A fund yielding 20%+ is almost never earning that. Much of it is 'return of capital' — your own money handed back while the share price erodes. If a yield looks too good to be true, check the 5-year price chart before you check anything else.

Taxes Without the Headache

Not tax advice — but knowing these four ideas will save most investors real money.

THE TWO KINDS OF DIVIDEND

Type	Taxed At	Typical Source
Qualified	Long-term capital gains rates (0/15/20%)	Most U.S. stock dividends
Ordinary	Your full income tax rate (up to 37%)	Bond interest, REITs, some option income

ACCOUNT PLACEMENT — THE FREE MONEY DECISION

Account	Put This Here	Why
Roth IRA	Highest-growth or highest-yield funds	All growth is permanently tax-free
401(k) / IRA	Bonds, REITs, high-income funds	Shelters ordinary income
HSA	Anything (if eligible)	Triple tax advantage
Taxable	Broad stock ETFs, municipal bonds	Qualified rates; low turnover

TWO RULES WORTH MEMORIZING

1. Hold investments over one year. Selling within a year triggers short-term capital gains taxed at your full income rate. Waiting past 12 months can cut that rate substantially.
2. Ordinary-income producers belong in tax-advantaged accounts. Bond funds and REITs generate taxable income every year — shelter them if you have the space.

IF YOU HOLD MONTHLY PAYERS

Twelve distributions a year means twelve taxable events. Set aside 25–35% of each payment for taxes the day it arrives, and consider whether quarterly estimated payments apply to you. A single conversation with a tax professional is usually worth its cost.

The 10 Biggest Beginner Mistakes

1. Waiting for the perfect entry. Time in the market beats timing the market — consistently, across almost every study.
2. Chasing the highest yield. A 20% yield is a risk signal, not an opportunity. It usually means capital is being returned, not earned.
3. Owning five funds that hold the same thing. VOO + SPY + IVV is one bet three times, not diversification.
4. Panic-selling in a downturn. The market has recovered from every decline in its history — but only for those still holding.
5. Ignoring expense ratios. A 1% fee can consume roughly a quarter of your wealth over 30 years.
6. Buying before the ex-dividend date. You gain cash, lose equal value, and create a tax bill.
7. Wrong account placement. Holding bonds in a Roth while growth sits in taxable is the ladder upside-down.
8. Turning off dividend reinvestment during your saving years. That's switching off compounding.
9. Checking your portfolio daily. It raises anxiety and tempts you into action. Quarterly is plenty.
10. Skipping the 401(k) match. It is an immediate 50–100% return. Take it before anything else.

THE META-MISTAKE

Complexity. Most investors who underperform do so because they traded too much, owned too many overlapping funds, or abandoned a good plan during a bad year. Simple, cheap, and consistent beats clever almost every time.

Your Starter Action Plan

THIS WEEK

- Open a brokerage account (Fidelity, Schwab, or Vanguard).
- If your employer offers a 401(k) match, contribute enough to get all of it.
- Open a Roth IRA if you're eligible.

THIS MONTH

- Buy your first shares — VOO or VTI is the classic starting point.
- Turn on dividend reinvestment.
- Set up an automatic monthly transfer, even if it's $50.

THIS YEAR

- Add VXUS (international) and BND (bonds) to complete the 3-fund portfolio.
- Increase your contribution every time you get a raise.
- Rebalance once, on a date you choose in advance.

WHAT $500 A MONTH BECOMES

Years Invested	At 7% Return	At 9% Return
10 years	~$86,000	~$96,000
20 years	~$260,000	~$334,000
30 years	~$610,000	~$915,000
40 years	~$1,310,000	~$2,340,000

Illustrative only; assumes constant returns and reinvested dividends. Actual results vary.

THE ONLY SECRET

There isn't one. Buy broad, low-cost funds. Contribute every month. Reinvest the dividends. Don't sell when it's scary. Do that for twenty years and you will outperform most people who spent those years trying to be clever.

Keep Going — Free Resources & Next Steps

FREE DOWNLOADS AT ETFSMASTERS.COM/RESOURCES

- Trading journals for VOO, SPY, QQQ, IWM, VTI, and SCHD — printable one-page trade planners.
- The Monthly Dividend & Tax Tracker — log every distribution and its tax character so April is never a surprise.
- The Excel workbook — all journals with live profit/loss formulas built in.

GO DEEPER: THE MASTERING ETFS SERIES

Book	What It Covers
Mastering VOO	Index investing and lifelong wealth building
Mastering SPY	The trader's S&P 500 — options and strategy
Mastering QQQ	The Nasdaq-100, tech, and growth investing
Mastering IWM	Small caps and the size premium
Mastering VTI	The total U.S. market — the deepest guide
Mastering SCHD	Dividend growth and rising income
Mastering Covered Call ETFs	Monthly options income — and its true cost
Mastering Monthly Dividend ETFs	Getting paid every single month

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A FINAL WORD

You do not need to be brilliant to build wealth with ETFs. You need to start, keep costs low, contribute consistently, and stay invested when it gets uncomfortable. Everything else is detail. Thank you for reading — now go buy your first share.