

Profitable INVESTING Tips

Stock Market Investing Tips, Techniques, and Resources



How SPY Investing Works

By: www.ProfitableInvestingTips.com

Since the depths of the Financial Crisis the S&P 500 has gone up from 825 to 4441 today. Because of how well the S&P 500 has done over the years, many investors have chosen to invest in this index rather than choose individual stocks. Since you cannot buy shares of the S&P 500 index, what can you do? The choice that many investors make is to buy shares of the SPDR S&P 500 Trust ETF or SPY, an ETF that tracks the S&P 500. How SPY investing works is just like buying individual stocks except that you are investing in the 500 largest publicly traded US companies.

What Is the SPY?

The SPDR S&P 500 Trust ETF or SPY is a popular way to trade the Standard & Poor's 500 stock index. Because of the breadth of its constituents, the S&P 500 is considered a benchmark of the US economy. When one invests in the SPY they do not have any individual stock-specific investment risks. Rather, the S&P 500 and therefore the SPY is driven by factors that drive the entire economy. Because the SPY is an ETF in which you can buy and sell shares, the "overhead" is less than with something like a mutual fund or paying someone to manage your investments. Commonly investors use [dollar cost averaging](#) to add to their SPY investments.

Is It Good to Invest in SPY?

Many investors do not have the time or the expertise to successfully pick and track stocks to invest in. And, the S&P 500 and therefore the SPY have beaten many managed investment services over the last few years. The overhead is low. Because you do not need to do a lot of research before investing in SPY you are saving time. Because the S&P 500 keeps going up, you are making money by investing in SPY. So, is it good to invest in SPY? Yes, it is. In fact, Warren Buffett suggested that most investors would be more successful with this sort of approach because they do not have the time or expertise to successfully pick stocks and time purchases.

What Is the Minimum Investment for SPY?

Because the SPY lets you buy fractional shares, you can invest as little as \$1 in SPY. The fractional share aspect is good when you use dollar cost averaging because you do not need to calculate just how many shares to buy every pay period, month, or quarter. As of August 10, 2021, the SPY goes for \$442 a share. This price dollars is about a tenth of the S&P 500 index which is 4432 at the same time that SPY trades at \$442. When you buy shares or fractional shares of SPY you also pay fees and commissions but you do not pay management fees like with a Mutual Fund or managed account.

How Do You Invest in SPY?

As with all stock investing you need to go through a stock broker. You can do this online with someone like TD Ameritrade, Fidelity, Charles Schwab, Interactive Brokers, or E*TRADE. Simply set up a brokerage account and

add money to the account. If you want an investment that tracks the S&P 500 you will be able to choose between various mutual funds and ETFs. If your choice is the SPY, simply choose that and make your investment.

Is the S&P 500 a Good Investment?

A good investment should be one that makes money, has limited or no risk, does not cost a lot to maintain, and falls within your time and ability to manage it. An investment that tracks the S&P 500 and especially the SPY win on all points. You may choose to limit your investing to the SPY or you may use the SPY as a proxy for the S&P 500 for the “conservative” part of your portfolio. In either case an investment vehicle that tracks the S&P 500 is a good idea for most investors.

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