VERITY E-BOOKS

A PRACTICAL GUIDE · 164 VERIFIED SOURCES

THE ETF FILTER

A PRACTICAL FRAMEWORK FOR CHOOSING FUNDS YOU ACTUALLY UNDERSTAND

FOUAD A.

164 INDEPENDENTLY VERIFIED SOURCES

How to Use This Guide

This guide assumes you already know why you want to invest — it starts one step later, at the moment you're staring at a list of a few thousand ETFs and don't know which one to actually pick, or you've already bought one and aren't sure what you actually own. Chapters 1 and 2 explain the mechanics most people skip: what you legally hold, and how an ETF's price stays (mostly) glued to its index. Chapters 3 through 5 build the actual selection framework — cost, index construction, and the sector/thematic trap, which also covers overlap between funds. Chapter 6 covers tax and structure basics across the US, Australia, and Europe/UK, since this guide doesn't assume one country. Chapter 7 covers the practical mechanics of buying and the behavioral traps that undo good research. Chapter 8 is the checklist — the whole framework compressed onto one page you can reuse for every fund you're ever deciding on.

Throughout the guide you'll find charts drawn directly from the primary data — regulator studies, SPIVA scorecards, Morningstar's fund-closure research, and academic papers. Where a chart appears, the number it shows is the one actually reported in the source named beside it, not a rounded or illustrative estimate. If you want to check any of them yourself, every source is listed in full at the back, grouped by topic.

The Wrong Question

“Which one do you recommend?” is the question that shows up, in one form or another, under almost every ETF-comparison video on the internet. It's a reasonable thing to ask. It's also the wrong question to lead with, and answering it directly — naming a ticker — would make this guide worse, not better, because a specific recommendation goes stale the moment costs, indexes, or your own circumstances change. A framework for evaluating any fund, in any market, at any point in the future, doesn't.

This guide exists because of a second, quieter question that shows up in the same comment sections, asked with less confidence: “With fractional shares, do you actually own the shares?” That one is more revealing than it looks. It's not a beginner asking whether investing is a good idea — it's someone who has already bought something, and isn't sure what. That's the real gap this guide fills: not “should I invest,” but “now that I'm choosing between funds, what am I actually looking at, and what am I actually buying?”

Why a framework beats a tip

A tip has a shelf life. The moment someone tells you which ETF to buy, that recommendation starts decaying — the fund's fee could rise, its index provider could change its methodology, a cheaper or better-constructed competitor could launch next quarter, or your own circumstances (country of residence, existing holdings, risk tolerance) could shift enough that a fund that was right for someone else stops being right for you. None of that is hypothetical; Chapter 5 alone documents hundreds of funds that were confidently recommended in their first year and closed within five. A framework doesn't expire the same way, because it isn't a bet on one fund's future — it's a repeatable set of questions you can run against whatever fund exists when you're actually ready to buy.

This also isn't a guide about market timing, and it deliberately stays out of that territory. Nothing here tries to tell you when to buy, whether now is a good time, or what the market will do next year — those are different (and much harder to responsibly answer) questions than the one this guide is built around: once you've decided to invest in a fund, how do you tell a well-built one from a poorly-built one, and a fairly-priced one from an expensive one dressed up to look otherwise.

Who this guide is for

If you've already bought at least one ETF, or you're actively comparing a handful of them right now, this guide is written directly for you. It assumes some familiarity with the basic idea of an ETF — that it's a fund you can buy and sell like a stock, holding a basket of underlying securities — and builds from there into the mechanics, costs, and structural details that determine whether a specific fund is well-built or poorly-built, fairly priced or quietly expensive. It doesn't assume you're investing from any one country: the tax and structure chapter deliberately covers the US, Australia, and Europe/UK side by side, because the audience asking these exact questions — “do I actually own the shares,” “how do I invest into the European market” — spans all three.

What this guide is not

It is not personal financial advice, and nothing in it should be read as a recommendation to buy or avoid any specific ETF. Tax treatment in particular — covered in Chapter 6 — is general education pulled from primary regulator sources (the IRS's structural rules, the ATO, ESMA, and the FCA), not a substitute for a licensed tax professional who knows your actual return. Where a claim in this guide rests on a specific study or regulator document, that source is named in the text and listed in full at the back — not because footnote-chasing is the point, but because a specific, checkable source is exactly the kind of thing a five-minute comparison video has no room for, and exactly the kind of thing that lets you verify a claim yourself rather than take it on faith from a stranger on the internet.

This guide also runs longer than the typical five-minute explainer it's implicitly responding to, and that length is deliberate rather than incidental: a genuinely checkable claim — a named study, a specific regulator document, an exact figure from a primary scorecard — takes more room to state properly than a confident, unsourced assertion does, and every one of the eight chapters ahead trades brevity for exactly that kind of specificity on purpose. You're not expected to read it in one sitting or memorize any of it; Chapter 8's one-page checklist exists specifically so you can act on the framework without re-reading the reasoning behind it every time.

None of what follows requires predicting markets, timing a crash, or picking the “best” ETF of the year — all things a book can't responsibly promise anyway. What it requires is a repeatable way to look at any fund and know, in a few minutes, whether it does what you think it does, at a cost that doesn't quietly work against you, without hidden structural surprises. That's what the next eight chapters build, one layer at a time — starting with the most basic question of all: what do you actually own.