ETF Trading Checklist

A one-page reminder of what to look at before you trade an ETF share.

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1. Look at the bid-ask spread, not only the last price.
Buying at the ask and later selling at the bid costs roughly one full spread on a round trip. For a short holding period, that cost can be larger than the expense ratio. The site's free trading-cost calculator can turn a spread, a premium or discount, and commissions into a dollar and basis-point estimate.

2. Do not treat trading volume or fund size as liquidity.
Volume describes how often an ETF share has been trading, not how much can be traded without moving the price. Assets under management describe scale, not capacity. ETF liquidity depends on the underlying securities and on creation and redemption.

3. Check the market price against NAV, and against iNAV during the trading day.
The price on the exchange can sit above or below net asset value. A premium paid on the way in can become a discount on the way out, which adds to the cost of the round trip.

4. Prefer a limit order when the spread is wide or trading looks thin.
A market order accepts the prevailing bid or ask. A limit order sets the price you are willing to pay or receive. This is a mechanics reminder, not a rule for every trade.

5. Spreads and premiums can look different at the open, around the close, and when the underlying market is closed or less active.
The last print is not a complete picture of trading costs. There is no single clock time that is always the cheapest moment to trade.

6. Remember that an ETF trades in two markets.
Most investors buy and sell existing shares on the exchange (the secondary market). Authorized participants create and redeem shares with the fund (the primary market). That create-and-redeem process is what typically keeps the share price near the fund's value.

7. Under stress, spreads can widen and the premium or discount can grow.
That can be the market showing conditions in the underlying assets in real time, not proof that the ETF itself has failed.

8. If you want a number, estimate the round-trip cost before you trade.
Add the cost of crossing the spread, any premium or discount, and commissions. A worked calculator is at howETFsTrade.com/etf-trading-cost-calculator/

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