



Can You Afford to Follow a Passive Investing Strategy in Today's Market?

Description

Some research suggests that as few as one in 20 professional money managers actually beat, or outperform, their benchmarks.

This has led to the widespread adoption of “passive investing” in recent years, which has only been amplified by the spread of exchange-traded funds (ETFs), effectively replacing mutual funds as the leading investment strategy followed by most retail investors.

But is this a move that makes sense?

Taking a closer examination at exactly what strategies investors have available at their disposal will help us to understand if passive investing is truly the right move for you to be making in 2018.

Active money management

This is a strategy where an investor essentially hands over their money to a financial advisor or account representative for them to manage.

In return for taking custody of the investors' money, the advisor typically charges a fee for assets under management in addition to any specific fees for additional products or services.

The main advantage of this type of strategy is that the investor doesn't have to spend any time thinking or worrying about what's going on in their investment account.

This can be particularly beneficial when the market is experiencing abnormal swings in the prices of its securities; for example, **Corus Entertainment Inc.** ([TSX:CJR.B](#)) lost nearly half of its value during the first three months of the year and had gains back 21.8% in a [single day's trading](#) last week.

The downside, though, is that paying someone else to “actively” manage your investments can be one of the more expensive routes to take.

Active account managers will typically charge at least 1% of assets under management annually, and,

in many cases, the fees that you end up paying can be a lot higher than that.

“Hybrid” or ETF sector investing

Thanks to the overwhelming adoption of ETFs over the past 10 years, there are now ETFs that cover every corner of the market.

One of the most popular ETFs last year was the **HORIZNS MARIJUNA LF CL A UNT ETF** ([TSX:HMMJ](#)), an ETF designed to capture the performance of companies engaged in the [production and cultivation of medicinal cannabis](#).

ETF sector investing offers a time-efficient way for you to contribute your own insights to the direction of your investment portfolio.

Passive investing

The passive investing approach has gained popularity in recent years, as markets have become increasingly efficient at processing vast amounts of information at lightning-quick speeds.

It's been argued that a passive investing strategy will outperform most money managers over time, but that argument is also based on backward-looking data and is only theoretical in nature.

The real challenge for the passive investing strategy comes when the economy is suffering, and the market is suffering a meltdown. In those types of market environments, it may not be so easy to take the “passive approach” and wait to see how things play out.

It's good to always have a Motley Fool in your corner

Back in February, the TSX Composite lost nearly 10% of its value in just two short weeks, and since then, the threat of a long and drawn-out trade war between the U.S. and China seems more real than ever.

There's the old adage made famous by Warren Buffett, that to be successful in investing you need to “be greedy when others are fearful.”

There's no question that it's certainly no easy task to win in the financial markets — even at the best of times — so no matter which investing strategy you end up choosing, always do yourself the favour of being on top of what's happening in the world and what opportunities are out there waiting for you.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:HMMJ (Horizons Marijuana Life Sciences Index ETF)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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