Prime Capital FINANCIAL

Cruise Control or First-Class Captain?

How Your Portfolio's Really Managed

What's the Difference Between Passive and Active Investing?

Active Investing is a style of investing in which the investor or portfolio manager buys stocks or other investments regularly. Active investors generally search for specific companies that they believe will perform well. If an investment fails or does not live up to expectations active investors may sell that holding. Active investing aims to beat the market by taking advantage of short-term inefficiencies and price fluctuations.

Passive Investing is a style of investing in which the investor does not buy individual equities, but instead purchases shares of mutual funds, exchange-traded securities, and other "baskets" of investments. These investments are generally bought and held for a long period of time in a "set it and forget it" approach.

What Investment Style Should I Use?

Deciding between active and passive investing can be a difficult question to answer, as both investment styles have their own benefits, drawbacks, and different use cases.

Active Investing provides flexibility to capitalize on perceived market inefficiencies and pursue specific strategies or themes. While it can offer the potential for outperformance, it typically comes with higher costs, greater complexity, and increased risk thus making it more suitable for experienced investors with the time and skill to manage it effectively.

Passive Investing is well-suited for long-term goals like retirement, especially for individuals seeking simplicity, lower fees, tax efficiency, and minimal hands-on involvement. However, it can be limiting in terms of flexibility and may underperform active strategies in certain market environments.

The Growth of Passive Investing in Today's World

As our lives have become increasingly digitized, passive investing has become extremely popular with the advent of digital brokerages. In 2024, the total assets in passive investment vehicles surpassed those in active funds. According to data from Morningstar, >38% of global assets are invested in passive index funds, with inflows adding 2% annually.

FIND YOUR PATH TO FINANCIAL SUCCESS

At Prime Capital Financial, our team of financial advisors are dedicated to helping you achieve your financial goals with personalized strategies and guidance. Charting your course towards financial success should be simple, free from jargon and distraction. We get it. And we've got you.

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