# Active vs. Passive Investing: Our Perspective

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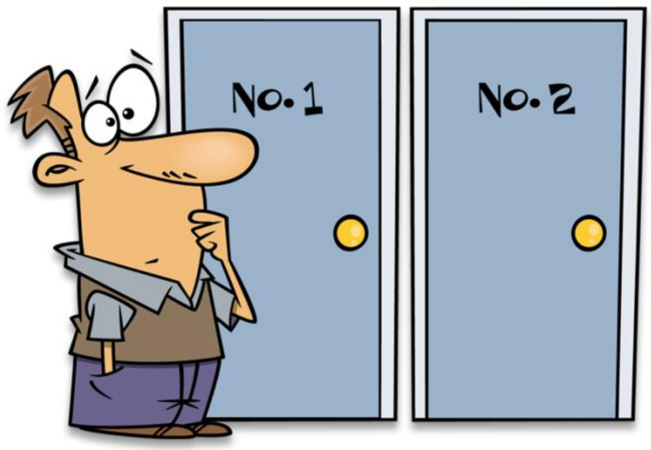
November 2, 2022




When searching for the right investment management team, many questions will arise. You'll have to decide what type of wealth management firm fits your needs, how much control you want over your portfolio, and how your investments should be managed.

While all these decisions can be difficult to sort through, a good place to start is investment style. At the core of it, there are two distinct styles that investment management teams operate with: active and passive investing. Deciding which style aligns with your needs can help you decide which firm is right for you.

## What Is Passive Investing?

Passive investing is a strategy built around an index, like the S&P 500 or Dow Jones Industrial Average. With this method, investors are simply trying to match the performance of a specific index. The index is created by a third party and is usually rules-based. Typically, passive investors won't invest in individual securities but instead will own fractions of shares inside an index fund. This allows investors to gain exposure to many companies within a specific market segment. Passive investing is often cheaper because paying for index data is less expensive than hiring an entire investment team. When the index you are tracking does well, you do well. Outperformance as well as underperformance will rarely happen.

## What Is Active Investing?

Active investing, on the other hand, is when portfolio managers research and assess individual investments and place them in a portfolio. It requires a more hands-on approach from the investment management team. They'll choose what trades to make instead of simply matching an index. While this is the most basic idea of active investing, the exact strategy employed can vary depending on the firm.

## How Does Exchange Operate?

Exchange operates using active investing, while also incorporating long-term strategies into client portfolios. We aren't trying to time the market but rather assess investments that align with our client's individual goals and risk tolerance. This may mean using index funds and a mix of individual stocks in a portfolio. Regardless, every investment decision is backed by dedicated market research and cost analysis, and we don't charge our clients anything extra for this work.

Some firms that operate with an active investing strategy are built solely to outperform the market. Our main objective is to build a portfolio tailored to the long-term goals outlined in your financial plan.

## The Bottom Line

Whatever investment style you choose truly depends on your wants and needs. Passive investing can provide a long-term, low-cost strategy to match an index. Active investing, on the other hand, allows more flexibility when building a portfolio. Exchange finds value in both strategies and may incorporate passive investments alongside active strategies when and where it is most beneficial for the client. We can choose individual securities, tailor the portfolio to the client's goals, and more.

Consider scheduling a discovery meeting with us to learn how we can help you reach your goals. We would love to sit down and discuss how our services can help you.