



Active vs Passive Investing - Your Best Bet

The debate between active and passive investing has been going on for decades—and for good reason. Both approaches have their strengths, but choosing the right one can make a big difference in whether you simply meet your goals or exceed them.

Why You're Investing in the First Place - Most people invest with two goals in mind: protect what they have and grow their wealth. If your goal is to retire comfortably, you might be aiming for something like \$50,000 a year in income. That typically requires close to a \$1 million portfolio generating around 5% annually. The problem? Many Canadians aren't even close—average RRSP balances are about \$60,000, and even many Boomers have just over \$100,000 in liquid savings.

So, playing it too safe—say, sticking with GICs—might keep your money secure, but it likely won't grow enough to meet your long-term needs.

Passive: The "Set It and Forget It" Approach - Passive investing is all about tracking the investment markets. You buy an index investment fund, keep your costs low, and let the market do the heavy lifting. In Canada, that means your portfolio will be heavily weighted toward banks, energy companies, and a slow-growing economy. It's easy, it's predictable—but it's also average by definition.

The big selling point? Cost. Passive funds usually have lower management expense ratios (MERs) compared to actively managed funds.

Active: The Case for Being Selective - Active managers aim to beat the market, not just match it. They can focus on high-quality companies, shift strategies during downturns, or target sectors with strong growth potential. While higher fees are a reality, that flexibility can add value—especially when markets are volatile.

In fact, research from Fidelity Canada shows active managers often outperform during market turbulence, because they can sidestep underperforming sectors and adjust portfolios in real time.

So Which Should You Choose? - The truth is, there's no one-size-fits-all answer. If you value simplicity, low fees, and can ride out market swings without flinching, passive investing could work well. If you want a chance to outperform, especially in uncertain markets, active management offers tools passive investing simply doesn't.

For many investors, the sweet spot is a blend—using passive strategies for broad market exposure and active management where there's opportunity for higher returns or downside protection.

The Bottom Line - Your investment approach should align with your goals, time horizon, and risk preferences. Costs matter, but so do growth potential and risk management. The key is not picking a side—it's building a strategy that gets you to your destination. An experienced investment advisor can help you review your options and select the best investment options to help you meet all your short-term and long-term financial goals.

Need help with your investment strategy? Contact our office!

Marvin Nickel, CFP, CIM

Nickel Financial Consulting Inc. - Sentinel Financial Group

Ph: 403.975.2010 - <https://www.marvinnickel.com> - <mailto:marvin@marvinnickel.com>

