WealthRx
wealth and wellness tips to help you live better
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Wm WEALTH MANAGEMENT

Active versus passive management

Investment funds are perhaps the greatest financial invention of all time. By pooling their money and putting it under the watch of a professional manager, investors are able to access market performance without making serious commitments or taking on huge levels of risk. Though this ease of use has made investment funds widely popular, professional managers have not received overwhelming admiration. Many investors question whether a fund needs the attention of a manager to be a success.

Active and passive

The difference between an actively managed fund and a passively managed fund is exactly what the name suggests: managers of active funds make decisions that require attention and planning to earn profits. The fund's portfolio is closely monitored and regularly adjusted for what the managers believe is the optimal configuration.

On the opposite end of things, a passive fund has its initial investments chosen and then is left to grow without any regular or significant changes. Essentially, an investor's money is divided between several assets and then left on autopilot. The majority of passive funds are "index funds" that match a specific market index, such as the S&P 500.

Why choose passive funds?

When an investor buys shares in an index fund, the fund manager divides the money among some or all of the different assets that make up the index. The assets are generally not purchased in equal quantities, but rather in amounts according to how much market influence each has. This allows the fund to better track the general movements of the market. In most cases, fund shares will rise and fall in proportion to the index. When the fund makes profits from asset returns (dividends, interest, etc.), they are passed on to the investors.

Historically, certain passive funds have outperformed actively managed funds on average. The biggest reason for this higher performance is because passive funds have lower fees. Active funds may have multiple managers and analysts trying to predict which stocks will do well. To pay these analysts, the actively managed fund must take a percentage of each investor's profits or total value. Though taking a small fee off the top of any profits may not seem like much, the compounded loss is significant enough to put many active funds behind similar index funds.

Why choose active funds?

Actively managed funds can be very useful for the right investor. The biggest benefit is that an actively managed fund can provide a specific type of volatility or exposure an investor wants. For instance, a person may not like the volatility of technology companies, so he or she will search for an actively managed fund that excludes or limits those types of investments. Alternatively, a different investor might want more volatility than an index fund offers, so he or she will seek out an active fund that invests in riskier companies.

Some active funds do outperform index benchmarks. The past performance of a fund can give some insight into how efficiently it is managed, but investors should always remember that historical performance does not guarantee future gains.

the July market

at a glance

U.S. Large Cap (S&P 500)	U.S. Mid/Small (Russell 2000 Index)	Foreign Large (NYSE International 100)	Bond Market (Barclays US Aggregate)
2,470.30	1,425.14	5,565.48	2,030.01
1.93%	0.69%	3.65%	0.43%

July 2017 market data

in action

- Volvo announced that by 2019 all of their cars will either be hybrids or electric-based. They are the first US-based car manufacturer that has done such a thing. This news came shortly before Britain announced that manufacturing new petrol and diesel cars will be banned starting in 2040.
- QVC and HLN, prominent television-based retailers, announced that the two companies will be merging in a deal worth a reported $2.1 billion. In the deal, QVC's parent company, Liberty Interactive, will assume full control of operations pertaining to HLN.
- In the second quarter, Samsung out-earned Apple for the first time in at least the past three years.
- Wage growth over the past year was mostly stagnant, according to the Bureau of Labor Statistics.
- Warren Buffett, known best for his successful investing career and generous philanthropy, donated over $3 billion worth of stock in early July. Since 2006, Buffett has purportedly made over $27.5 billion in charitable donations.
- In 2016, a total of $17.8 billion was spent on television advertising during sporting events, according to figures from Kantar Media.
- Three million Mercedes-Benz diesel vehicles from Daimler AG are being recalled due to issues taken by the German government. The recall is slated to cost Daimler AG over $250 million.
- Private equity firm KKR, owner of Toys R Us, reached a deal to acquire WebMD for a reported $2.8 billion. The deal is expected to be finalized in the fourth quarter of this year.

August

is National Immunization Awareness Month

We all need shots (also called vaccinations or immunizations) to help protect us from serious diseases such as the flu, measles and pneumonia. An annual flu vaccine should be considered for everyone 6 months and older. Most vaccines work best when they are given at certain ages so you should check with your family physician to see which are needed by you and your family members, and when it's appropriate to administer them. More information is available from the CDC, **learn more** about the topics below

- Children age 6 or younger
- Pre-teens and teenagers, ages 7 through 18
- Adults age 18 and older
- And if you are pregnant, check out this **recommended immunization schedule>**

Getting shots is typically not at the top of anyone's "fun" list, but taking time to learn more about the benefits they provide can be well worth the effort to ensure that you and your loved ones stay healthy.

The "PLANADVISER Top 100 Retirement Plan Advisers" list is compiled from responses to the PLANADVISER Retirement Plan Adviser Survey. The list is drawn solely from a set of quantitative variables and information in the survey supplied by the advisers themselves. H&H qualified under the small team category, which is an advisor with 10 or fewer team members, in 2016 and 2017. Go to **planadviser.com/Top100** for more information.

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