The 5 Ws of ACTIVE MANAGEMENT IN RETIREMENT

LIFE BEYOND WORK

BNY MELLON INVESTMENT MANAGEMENT

WHAT is active management?

Active management does what it says: it actively manages your investments. A financial adviser or fund manager will look at a variety of metrics – including market trends and various economic factors such as the prevailing central bank interest rate policy (essentially the rate that banks charge one another to borrow funds). They will then pick the stocks and sectors they think will be the 'winners' (stocks and shares most likely to fare well against any expected market impacts) while trying to avoid the 'losers'.

This is the opposite of passive management, which tends to buy investments to match the market. For example, a FTSE 100 tracker fund buys shares of the largest 100 UK companies, which as a result, should make very similar returns to the FTSE 100 **index**.

WHO can benefit?

In theory, anyone using it. When active management is working well, it should help investors outperform the benchmark (the standard or baseline for that market). However, it's worth noting active management doesn't always get it right. Active managers might pick more losers than winners or there can be unforeseen market impacts meaning returns could be less than the benchmark.

Active management can be a good fit for investors with specific goals for their investments.

This is because active managers can address specific goals in their active investment strategy. For example, they can focus on minimising losses rather than boosting returns.

WHY can it be useful for retirement planning?

In retirement, investors usually have specific life plans and financial goals to support them. They also usually require a sustainable income to support their desired standard of living. Investors typically want to take enough risk to earn the money they need to support their life beyond work goals, but not so much risk that it endangers those goals.

An active manager can set the goal of limiting losses and build an investment strategy which aims to identify where there is potential for greater losses.

WHEN can it be implemented into retirement plans?

You could adopt an active management approach into your retirement plans at any time. However, it might be beneficial to begin your life beyond work planning with active management, as this can help to plan your investment strategy over the long term, particularly with the focus of maintaining the level of income you will need. Although it is worth noting that active management usually incurs higher costs than passively-managed investments.

WHERE can it be used?

Active management can be used in anyone's investment portfolio and can be implemented in conjunction with passively managed investments.

Index - A portfolio of investments representing a particular market or a portion of it.