DEEP DIVE
FINANCIAL PLANNING



# INVESTMENT STYLES MADE SIMPLE

Chartered
Financial
Planners

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# IS THIS YOU?

Are you over 60 with a pension, some ISAs and an investment account, and have you been told three different things about how the money should be managed? Do you run your own portfolio, and wonder what happens to it on the day you can't?

Perhaps you've done well out of your own investing and want to keep doing it, but a spouse, a son or a daughter has asked what they're supposed to do with it all if something happens to you, and you didn't have an answer. This guide was written for you.

## IN THIS GUIDE YOU WILL FIND

- The four ways to run a portfolio: passive, active, a discretionary fund manager, or doing it yourself.
- What matters more than the style: asset allocation, behaviour, diversification and a cash reserve.
- Volatility risk, and why it is the one that costs people money.
- The case for and against each style, including the star managers who came unstuck.
- What we do for an investor who runs their own money, and what happens to a DIY portfolio when its owner can't run it.
- Which style we recommend, what it costs, and whether we'll work with the one you already have.

**Prefer a print version?** For one that won't slurp up half your toner, email **info@deep-dive.co.uk** and we'll ping it through.

**Reading time: about 13 minutes.**

By the end of it you'll know the four ways to run a portfolio and the case for and against each, the four things that matter more than any of them, which style we favour and why, and how a DIY investor keeps control while the estate planning is built around them. The last page lists the seven mistakes to avoid and the nine tactics to consider, so you can decide what, if anything, should change.

# WHAT IT IS

If you're over 60 with a pension, some ISAs and an investment account, you've probably been told at least three different things about how the money should be managed. There are four ways to run an investment portfolio, and most of what is written about investing is about which of them is best.

**Passive** means buying the whole market through index funds and letting it do the work. **Active** means paying a fund manager to pick what they think will beat it. A **discretionary fund manager**, or DFM, is a firm you appoint to run the portfolio day to day, within a set of instructions you agree with them at the start, without asking you about each decision. **DIY** means you do it yourself, choosing the investments and running the account on your own.

The first two describe funds. The second two describe who makes the decisions, and a DFM or a DIY investor may hold things that aren't funds at all: individual shares, gilts, company bonds, and in the DIY case, buy-to-let property or crypto. Each of those has its own tax quirks, and most of them come with their own problems for whoever inherits them.

The style is one part of a plan, and over twenty years any of the four, done properly, will do the job. The things with the greatest effect on a family's outcome are the mix of assets they hold, how they behave when markets fall, and the wills, trusts, pensions and tax wrappers around the portfolio. Our job is to get those right and make sure the style you choose fits them. We have no funds of our own and we're independent, so we have nothing to gain from steering you towards one style or another. What we sell is the advice: a qualified expert in your corner, with no one to answer to but you.



# THE QUESTIONS PEOPLE ASK

### What matters more than the style?

- **Asset allocation.** The split between shares, bonds, property and cash decides most of your return and nearly all of your volatility risk. Which fund you pick inside each slice matters far less.
- **Behaviour.** Much of the gap between what a fund made and what its investors made comes from selling after a fall and buying back after the recovery. The plan has to be one you can hold through a bad year.
- **Diversification.** Thousands of companies, many countries, several kinds of asset. Harry Markowitz called it the only free lunch in investing. It is also the thing most often skipped by people who've done well out of one asset.
- **A cash reserve.** For a retired couple, a year or two of spending held in cash, so that a bad year in the markets never forces a sale at the bottom. The return given up is small compared with the cost of selling at the wrong time.

With those four in place, the choice of style matters much less than the arguments about it suggest.

### What do you mean by risk?

There are many kinds: inflation eroding your spending power, living longer than your money, too much in one company, one sector or one property, a manager losing the plot, or needing to sell at the wrong moment. The one we mean when we talk about asset allocation is **volatility risk**: how far and how fast your portfolio can fall in a bad year. A portfolio that's all shares can drop by a third or more and has done, several times in living memory. One that's half bonds and cash drops by far less.

Volatility matters because of its effect on the investor. The more a portfolio falls, the more likely its owner is to panic and sell at the bottom, turning a temporary fall into a permanent loss. That applies to DIY investors, and it applies to fund managers too. Asset allocation determines how much a portfolio can fall, and that determines how likely its owner is to panic. So we decide how much of a portfolio goes into shares by asking how large a fall its owner could sit through, and work back from there.

> **"Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves."**
>
> Peter Lynch



### What's passive investing, and what are the pros and cons?

Buying index funds that hold every company in a market, in proportion, at very low cost. For: it's cheap, often under 0.2% a year; it's diversified across thousands of companies; you get the market's return less a small fee, every year, with no surprises; and it's easy for a spouse, an attorney or an executor to understand decades later. Against: you get the market's falls in full, with nobody trying to soften them; you own the largest companies in the world in proportion to their size, which means a good share of your money sits in the handful of businesses that are most successful at the time, and if that handful stumbles, so do you; and it's dull, which some people find hard to stick with.

> **"Don't look for the needle in the haystack. Just buy the haystack."**
>
> Jack Bogle, founder of Vanguard

### And active?

Paying a manager to choose investments they believe will beat the market. For: the chance of outperformance; a manager who can hold more cash or defend in a downturn; access to areas an index can't reach, such as small companies, specialist bond markets or the unlisted trading companies that qualify for Business Relief, the Inheritance Tax relief on business assets; and the ability to avoid sectors you'd rather not own. Against: it costs more, often 0.6% to 1% a year before anything else; most active funds fail to beat their index over ten years or more once fees are counted; and you're taking a view on a person.

The history of star managers is not encouraging. Neil Woodford drew billions on the strength of his record at Invesco; his own fund was suspended in 2019 and wound up over the years that followed, and in 2025 the FCA decided to fine him and his firm nearly £46 million and ban him from managing money for retail investors, a decision he has referred to the Upper Tribunal. Tom Dobell ran M&G Recovery for twenty years and built it into one of the largest UK equity funds, then spent the best part of a decade underperforming before stepping down in 2020. Anthony

Bolton retired from Fidelity Special Situations with one of the finest records in the business, then came back to run a China fund that didn't repeat the trick. Richard Buxton's name pulled billions into his UK funds, and the later years didn't match the earlier ones. The pattern is the same each time: a strong run, a following, a flood of money, and a reversal, usually after most of the money has arrived. A manager you back today may also leave, lose their touch, or drift from the style you bought.

> **"There are two kinds of forecasters: those who don't know, and those who don't know they don't know."**
>
> J.K. Galbraith

To be fair to the active case, not every popular manager is heading for a catastrophe, and most well-constructed active portfolios spread the money across several managers and several fund groups so that no single one can do that kind of damage. All the same, suppose you'd had a tenth of your retirement savings in the Woodford Equity Income fund on the day it was suspended, with no way of getting it out and no idea when you could. Only 10%. How would you have felt?

### What about a discretionary fund manager?

A firm, often with its own investment team, that runs the portfolio for you within an agreed mandate. For: decisions are made quickly by professionals without waiting for your signature; the portfolio can be built around your particular needs, such as a trust that must pay a fixed income, a large holding in one company that needs unwinding carefully, or an investor visa that requires a managed portfolio and the reporting to prove it; and you get consolidated reporting and someone to call. Against: it's an extra layer of fees on top of the funds and the platform, and VAT applies to the manager's charge; in our experience many DFMs lean towards their own funds; performance is harder to compare than a fund's; and a DFM runs the money; the planning around it still has to be done by someone.



### And DIY?

You run it, which in practice means signing up to an online self-select platform and choosing your own funds. For: it's the cheapest route, there's nobody between you and your money, and plenty of people enjoy it and do it well.

Against: the platform's interests are different from yours. Its business is trading, so it sends you a weekly best-buy list, promotes the next big thing, or the last big thing dressed up as the next one, and makes it very easy to buy. Most DIY investors are influenced by this more than they'd realise. The usual result is trading far too often and buying whatever has the best past performance, which by definition is the thing that has already gone up. Studies have repeatedly shown that investors who chase fund performance end up with worse returns than the funds they buy. Do it for a few years and it also becomes hard to tell how you've really done, because the money has never sat still long enough to be measured. Add the ordinary human mistakes, selling in a crash, holding too much of one thing, forgetting the tax, and the question most DIY investors haven't answered: what happens when you can't do it any more.

**"They say the most successful day of an investor's career is the one where he loses the password to his trading account."**

### Which do you recommend?

The evidence is that low cost and broad diversification beat most active approaches over the timescales our clients are planning for, and a passive portfolio is the easiest kind to hand on. We have no funds of our own and no reason to prefer one style over another, so we'll also tell you plainly when something else fits better.

### I prefer active management. Will you work with that?

Yes. If you have a conviction about active management, or a manager you trust, we'll build the portfolio with you, keep the costs down, and measure it against a comparable passive portfolio every year so the choice is reviewed rather than left to run. Some parts of a plan are active by necessity anyway: a Business Relief portfolio has to be, because you can't index unquoted companies.

### When does a DFM make sense?

When there's a specific reason for one. A trust with trustees who need the investment decisions taken off their hands and documented. A large holding in one company that needs selling down over several years to keep within the capital gains tax allowances. An investor visa with reporting requirements. A family's money run as one portfolio across several generations. For a straightforward portfolio in ISAs and pensions, a DFM is often an extra fee for a service you don't need. Where one is right, we select the manager, agree the mandate, and monitor them, because in our experience a DFM left alone stays appointed long after the reason has gone.

### I run my own investments. What can you do for me?

More than most advisers can, because you keep running the money and we do everything around it: which type of account or policy your investments should sit in, the pensions, the wills, the trusts, the Inheritance Tax plan, the cash flow modelling, and the gifting. Most firms will only advise if they manage the portfolio. Because we draft the wills and the trusts as well as advising

on the money, we can build the estate planning frameworks around the investments you've chosen, and hand you a plan that works whether or not you ever let anyone else near the portfolio.

### What happens to a DIY portfolio when I can't run it?

At some point, through illness, loss of capacity or death, somebody else takes the reins: a spouse who never wanted them, whoever holds your power of attorney, or your executors. They inherit forty holdings on a platform they can't log into, a strategy that was in your head, and no instructions. We've seen it, and it is hard on the people left to sort it out. The fix is planned in advance: a written statement of how the portfolio is run and why; a simpler structure as the years go by; a decision, taken now, about who takes over and what they should do with it, which might be "hand it to the adviser and move it to passive"; and the lasting power of attorney drafted to allow it. Deciding this while you're well is part of the job.

### Can we mix them?

Yes, where there's a reason to. A passive core with a Business Relief portfolio alongside it for the Inheritance Tax plan is a common pairing, and a trust sometimes justifies a DFM when the rest of the money doesn't. What we'd avoid is a mix that happened by accident, one fund at a time over twenty years. Whatever the mix, it should be chosen on purpose and written down, so that everyone involved, including whoever takes over, knows what's there and why.

### Does the style change the estate planning?

No. Bonds, trusts, loan trusts and pensions can hold passive funds, active funds, a DFM mandate or a portfolio you picked yourself. The tax and legal structure is decided separately from what goes inside it, which is why the style matters less to us than the structure.

### Will you recommend that I sell everything and start again?

No. If what you hold is sound, we'll leave it alone and say so. Where something should change, it usually happens in stages, inside the tax allowances, so there are no capital gains surprises and no weeks out of the market. Most of the value we add in the first year is in the structure around the portfolio.

### I already have an adviser, or a DFM. Is it worth talking?

Often, yes. A second opinion from us looks at three things: what you're paying in total, whether the mix of assets fits the fall you could sit through, and whether the wills, trusts and pensions around the portfolio are doing their job. It's done properly, which means gathering the facts and setting it out in writing. If it's all in order, we'll tell you so.

### Who are you?

Two firms under one roof. Deep Dive Financial Planning gives independent, regulated advice on pensions and investments. Deep Dive Estate Planning drafts the wills and trusts. Our founder is a Chartered Financial Planner and a Fellow of the Personal Finance Society, holds STEP's Advanced Certificates in Will Preparation and in Trusts and Estates Taxation, and is accredited by the Society of Later Life Advisers. Most of the families we act for are married couples over 60, and the question of what happens to the money when one of them can no longer run it comes up in nearly every one.

### What does it cost?

The investment style sets one layer of cost: roughly 0.1% to 0.3% a year for passive funds, 0.6% to 1% for active, and typically 0.3% to 1% plus VAT for a DFM on top of the funds. The platform and our fee sit alongside, whichever style you choose. All of it goes on one page before anything moves.

### What does advice involve?

We look at what you hold, what it costs, how it's taxed, who could run it if you couldn't, and what the plan around it needs it to do. Then we set out the options in writing, with the costs and our recommendation, before anything changes. If the answer is "keep doing what you're doing, and let us sort the rest", we'll say that too.

## WHAT TO DO NEXT

Email **info@deep-dive.co.uk** and tell us how we can help, or book a free 20-minute call at trustsadvice.co.uk/mattbriefingddfp.

### Further reading

If you run your own investments and want the estate planning framework built around them, book a call with one of our team at trustsadvice.co.uk/mattbriefingddfp and we'll talk you through it.

# IN SUMMARY

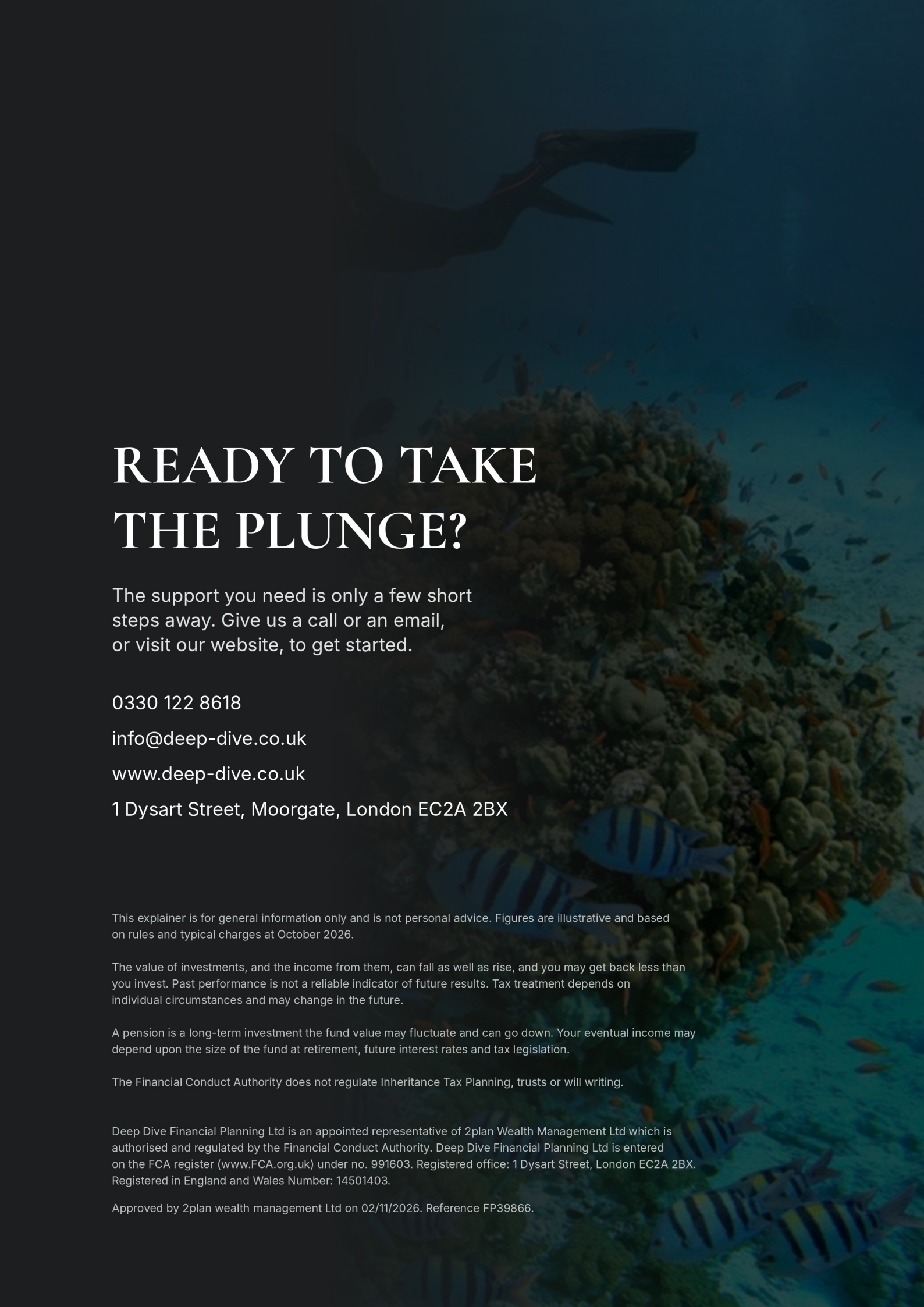
## Seven mistakes to avoid

1. Agonising over which fund, when the split between shares, bonds, property and cash decides most of the return and nearly all of the volatility.
2. Selling after the fall and buying back after the recovery. The gap between what the fund made and what you made.
3. Too much in the one thing you've done well out of.
4. No cash reserve, so a bad year forces a sale at the bottom.
5. Backing a star manager. A strong run, a flood of money, and a reversal after most of the money has arrived.
6. Buying whatever is top of the platform's best-buy list, and trading so often you can never tell how you've done.
7. No plan for the day you can't run it: forty holdings, a platform nobody else can log into, and a strategy that lived in your head.

## Nine tactics to consider

1. Set the share of equities by asking how big a fall you could sit through, then work back.
2. Keep a year or two of spending in cash so no bad year forces a sale.
3. Spread it: thousands of companies, many countries, several kinds of asset.
4. If you prefer active management, measure it against a comparable passive portfolio every year so the choice is reviewed rather than left to run.
5. Appoint a discretionary manager only for a reason: a trust, a large single holding to unwind inside the allowances, an investor visa, or a family's money run across generations.
6. Pair a passive core with a Business Relief portfolio for the Inheritance Tax plan, because unquoted companies can't be indexed.
7. Write down how the portfolio is run and why, and simplify it as the years go by.
8. Decide now who takes over and what they should do with it, and have the lasting power of attorney drafted to allow it.
9. Change things in stages, inside the allowances, and keep what is sound.

Email **info@deep-dive.co.uk** and tell us how we can help, or book a free 20-minute call at **trustsadvice.co.uk/mattbriefingddfp**.



# READY TO TAKE THE PLUNGE?

The support you need is only a few short steps away. Give us a call or an email, or visit our website, to get started.


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This explainer is for general information only and is not personal advice. Figures are illustrative and based on rules and typical charges at October 2026.

The value of investments, and the income from them, can fall as well as rise, and you may get back less than you invest. Past performance is not a reliable indicator of future results. Tax treatment depends on individual circumstances and may change in the future.

A pension is a long-term investment the fund value may fluctuate and can go down. Your eventual income may depend upon the size of the fund at retirement, future interest rates and tax legislation.

The Financial Conduct Authority does not regulate Inheritance Tax Planning, trusts or will writing.

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