

# ***Test Drive Your Retirement Portfolio...***

## ***and Some Thoughts on Asset Allocation***

**AAll – Texas**  
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**Craig L. Israelsen, Ph.D.**

**[www.7TwelvePortfolio.com](http://www.7TwelvePortfolio.com)**

**Will my portfolio balance decline  
during retirement?**

**Will I run out of money  
in retirement?**

**From 1926 to 2024 there have been 75 rolling 25-year periods. The first 25-year period was 1926-1950, the second from 1927-1951, and so on.**

**Let's assume that each of those 25-year periods represents a 25-year retirement "window" for 75 different retirees from the age of 73 to 98. Each retiree annually withdraws money.**

**We are now analyzing sequence-of-returns risk by analyzing outcomes over 75 rolling 25-year periods.**

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We are now analyzing sequence-of-returns risk by analyzing outcomes over 75 rolling 25-year periods.

***How often was a 60% equity/40% fixed income retirement portfolio larger at age 98 than the starting balance at age 73? Portfolio cost = 125 bps.***

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Let's assume that each of those 25-year periods represents a 25-year retirement "window" for 75 different retirees from the age of 73 to 98. Each retiree annually withdraws money.

We are now analyzing sequence-of-returns risk by analyzing outcomes over 75 rolling 25-year periods.

*How often was a 60% equity/40% fixed income retirement portfolio larger at age 98 than the starting balance at age 73? Portfolio cost = 125 bps.*

**RMD annual withdrawal: 81.3% of the time.**

**4% annual withdrawal: 100% of the time.**

# How Often Was a Retirement Portfolio Larger Than the Starting Balance After 25 Years of Withdrawals?

Overall Asset Allocation	Sub Allocations	RMD From age 73-98	4% Annual Withdrawal	5% Annual Withdrawal
60% Equity 40% Fixed	40% Large Stock 20% Small Stock 30% Bonds 10% Cash	81.3%	100%	

Analysis of 75 rolling 25-year periods from 1926 to 2024

Large-cap US stock was represented by the S&P 500 Index.

Small-cap US stock was represented by the Ibbotson Small Companies Index from 1926-1978 and the Russell 2000 Index from 1979-2024.

U.S. bond returns were represented by SBBI US Intermediate Government Bonds from 1926-1975 and the Bloomberg Aggregate Bond Index from 1976-2024.

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<b>40% Equity 60% Fixed</b>	25% Large Stock 15% Small Stock 45% Bonds 15% Cash	<b>42.7%</b>	<b>98.7%</b>	<b>90.7%</b>
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<b>80% Equity 20% Fixed</b>	50% Large Stock 30% Small Stock 15% Bonds 5% Cash	<b>92.0%</b>	<b>100%</b>	<b>100%</b>

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**Point #1:**

**If the RMD governs your withdrawals  
AND  
you want your portfolio to grow...**

**You will need to have a  
large equity allocation.**

**Analysis of 75 rolling 25-year periods from 1926 to 2024**

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## How Often Was a Retirement Portfolio Larger Than the Starting Balance After 25 Years of Withdrawals?

Overall Asset Allocation	Sub Allocations	<u>Point #2</u>  If you are using a 4% or 5% withdraw rate AND you want your portfolio to grow...  The asset allocation is not as critical... meaning you can be more conservative without guilt!	4% Annual Withdrawal	5% Annual Withdrawal
<b>40% Equity 60% Fixed</b>	25% Large Stock 15% Small Stock 45% Bonds 15% Cash		<b>98.7%</b>	<b>90.7%</b>
<b>60% Equity 40% Fixed</b>	40% Large Stock 20% Small Stock 30% Bonds 10% Cash		<b>100%</b>	<b>94.7%</b>
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# How Often Was a Retirement Portfolio Totally Depleted After 25 Years of Withdrawals?

Overall Asset Allocation	Sub Allocations	RMD From age 73-98	4% Annual Withdrawal	5% Annual Withdrawal
40% Equity 60% Fixed	25% Large Stock 15% Small Stock 45% Bonds 15% Cash	Never	Never	Never
60% Equity 40% Fixed	40% Large Stock 20% Small Stock 30% Bonds 10% Cash	Never	Never	Never
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# How Often Was a Retirement Portfolio Totally Depleted After 25 Years of Withdrawals?

Overall Asset Allocation	Sub	RMD	4% Annual	5% Annual Withdrawal
40% Equity 60% Fixed	<p><u>Point #3:</u></p> <p>Stop worrying about running out of money. If the portfolio is prudently built and rebalanced annually <b>AND</b> your withdrawals are reasonable...</p> <p>You won't deplete the portfolio within 25 years. And likely not within 35 years.</p>			Never
60% Equity 40% Fixed				Never
80% Equity 20% Fixed				Never
	20% Bonds 5% Cash			

Analysis of 75 rolling 25-year periods from 1926 to 2024

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# The Impact of Controlling Portfolio Expenses

# How Often Was a Retirement Portfolio Larger Than the Starting Balance After 25 Years of RMD Withdrawals? (from age 73-98)

Overall Asset Allocation	Sub Allocations	125 bps Portfolio Cost	100 bps Portfolio Cost	75 bps Portfolio Cost	50 bps Portfolio Cost
<b>60% Equity 40% Fixed</b>	40% Large Stock 20% Small Stock 30% Bonds 10% Cash	<b>81.3%</b>	<b>82.7%</b>	<b>89.3%</b>	<b>90.7%</b>

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<b>80% Equity 20% Fixed</b>	50% Large Stock 30% Small Stock 15% Bonds 5% Cash	<b>92%</b>	<b>94.7%</b>	<b>94.7%</b>	<b>94.7%</b>

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**Point #4:**  
  
Lowering the cost of your portfolio  
is more important when the asset allocation  
is more conservative.

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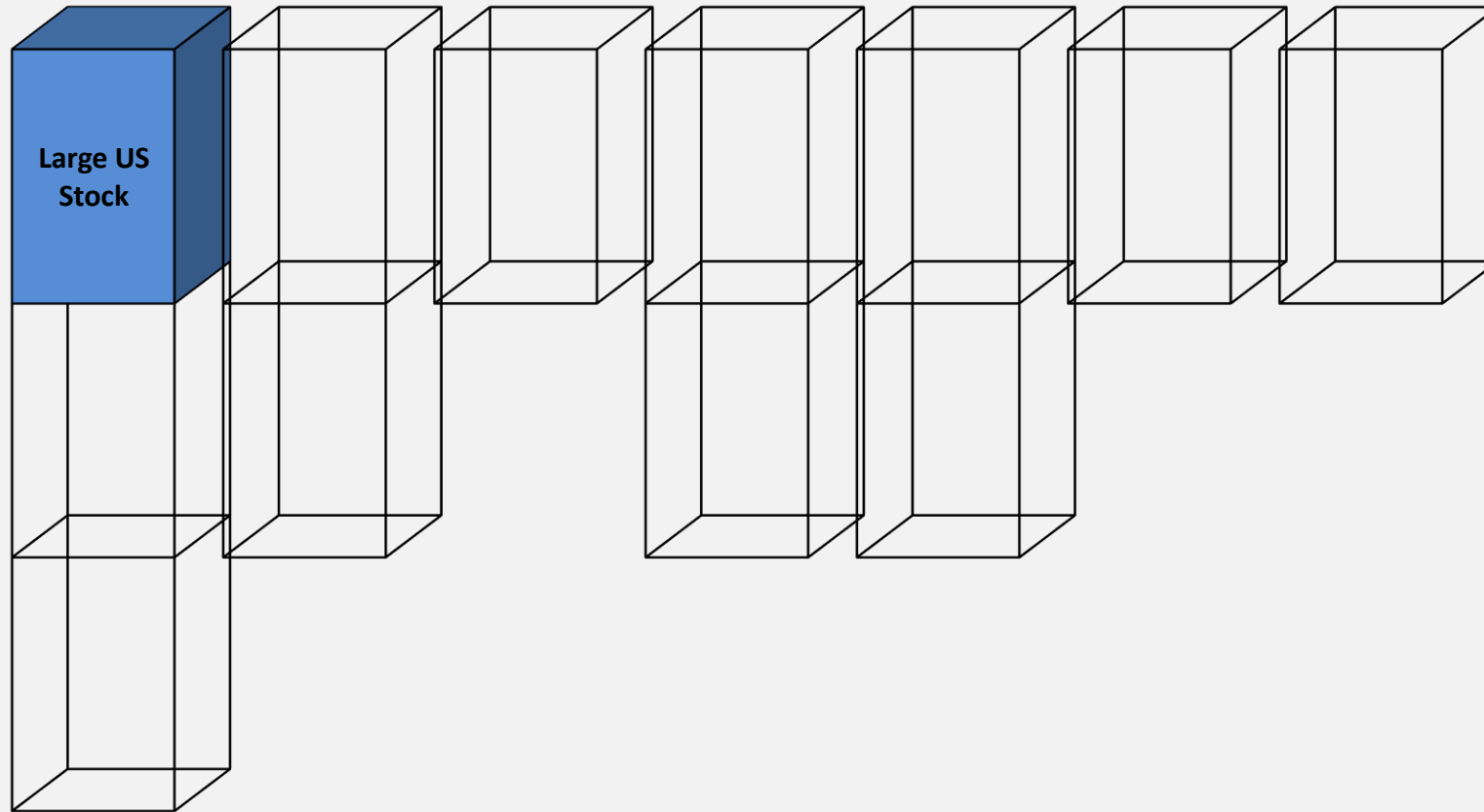
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# ***Some Thoughts on Asset Allocation***

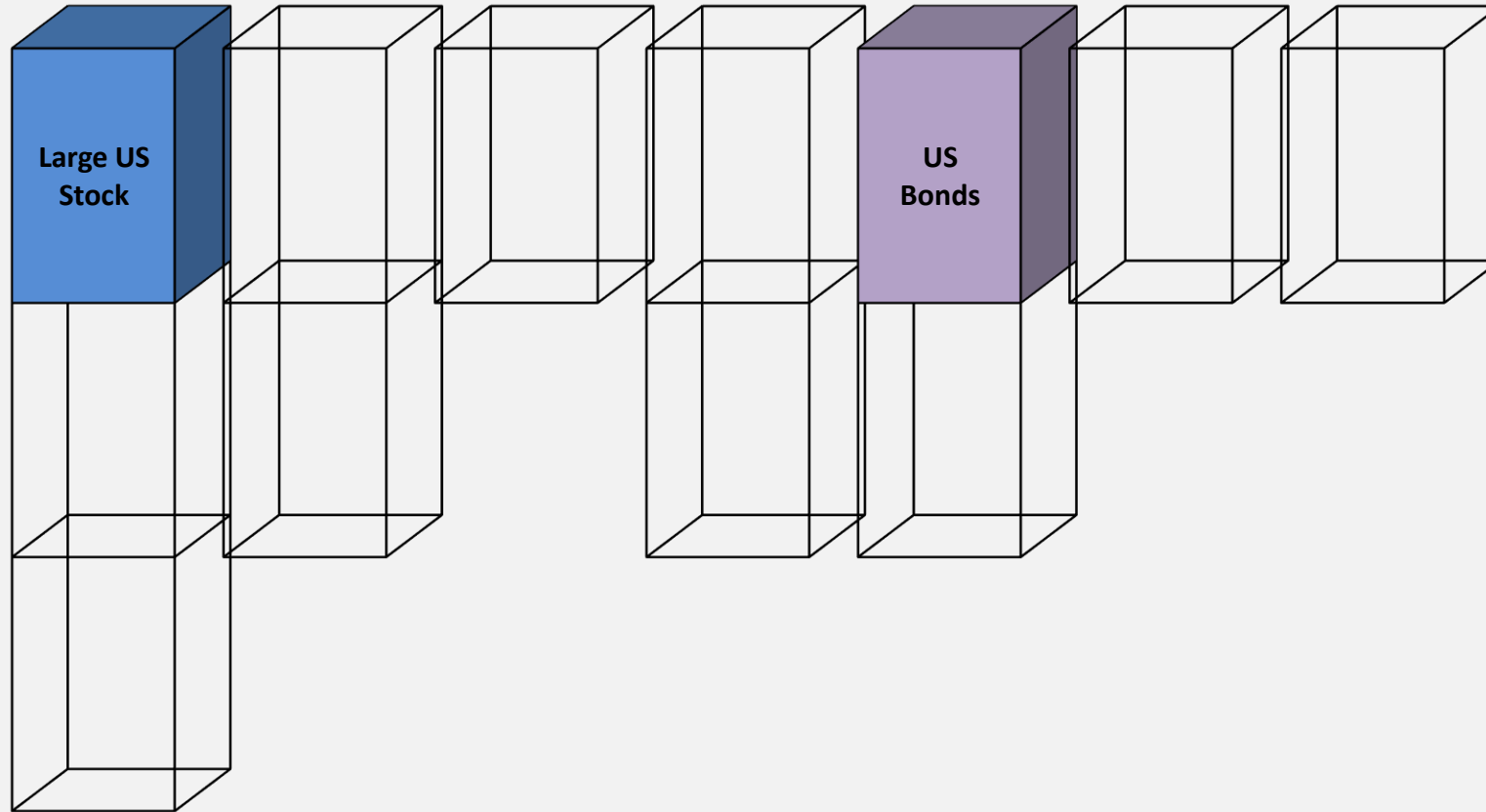
# Minimal Diversification

The S&P 500 Index



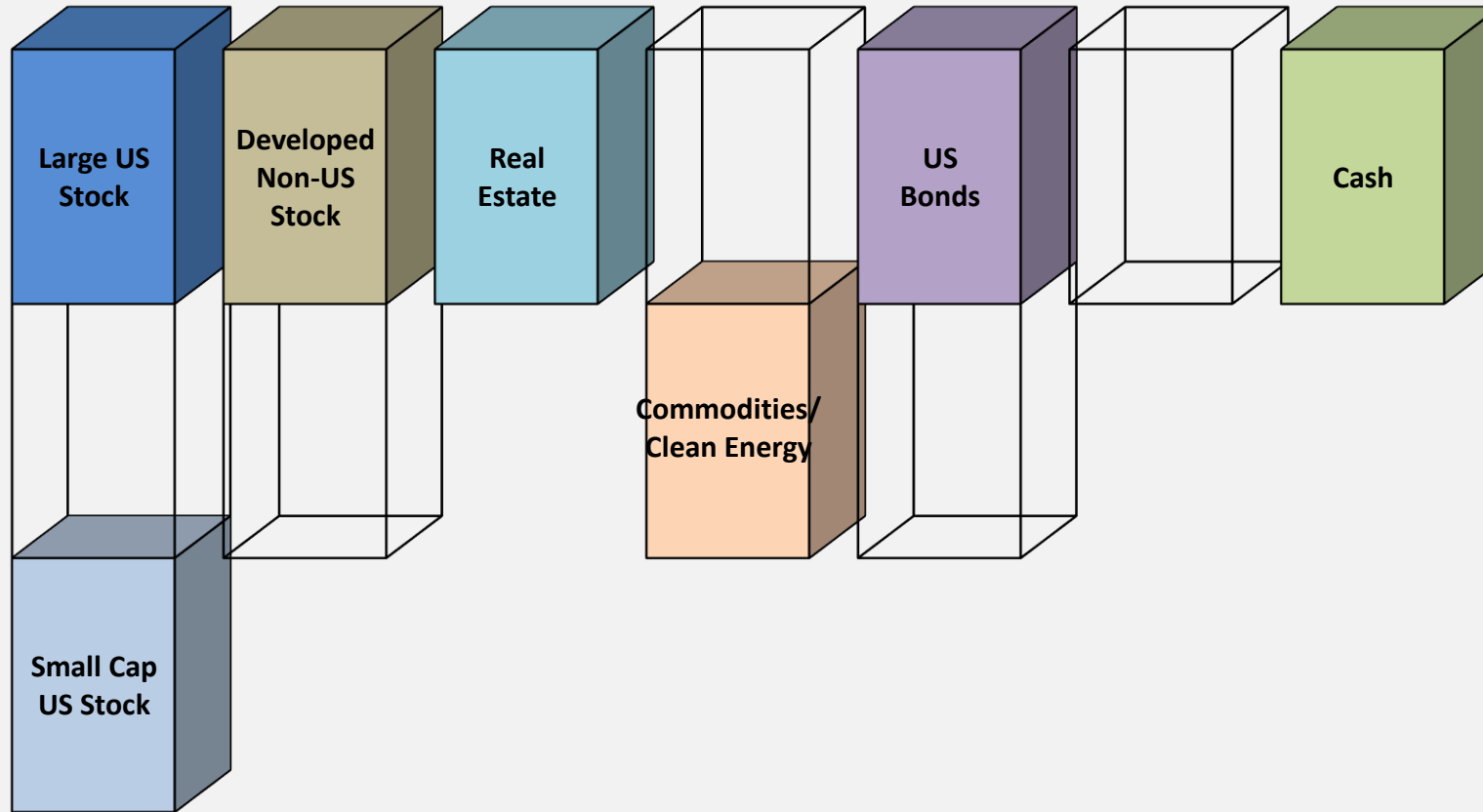
# Two-Asset Diversification

60/40 Portfolio



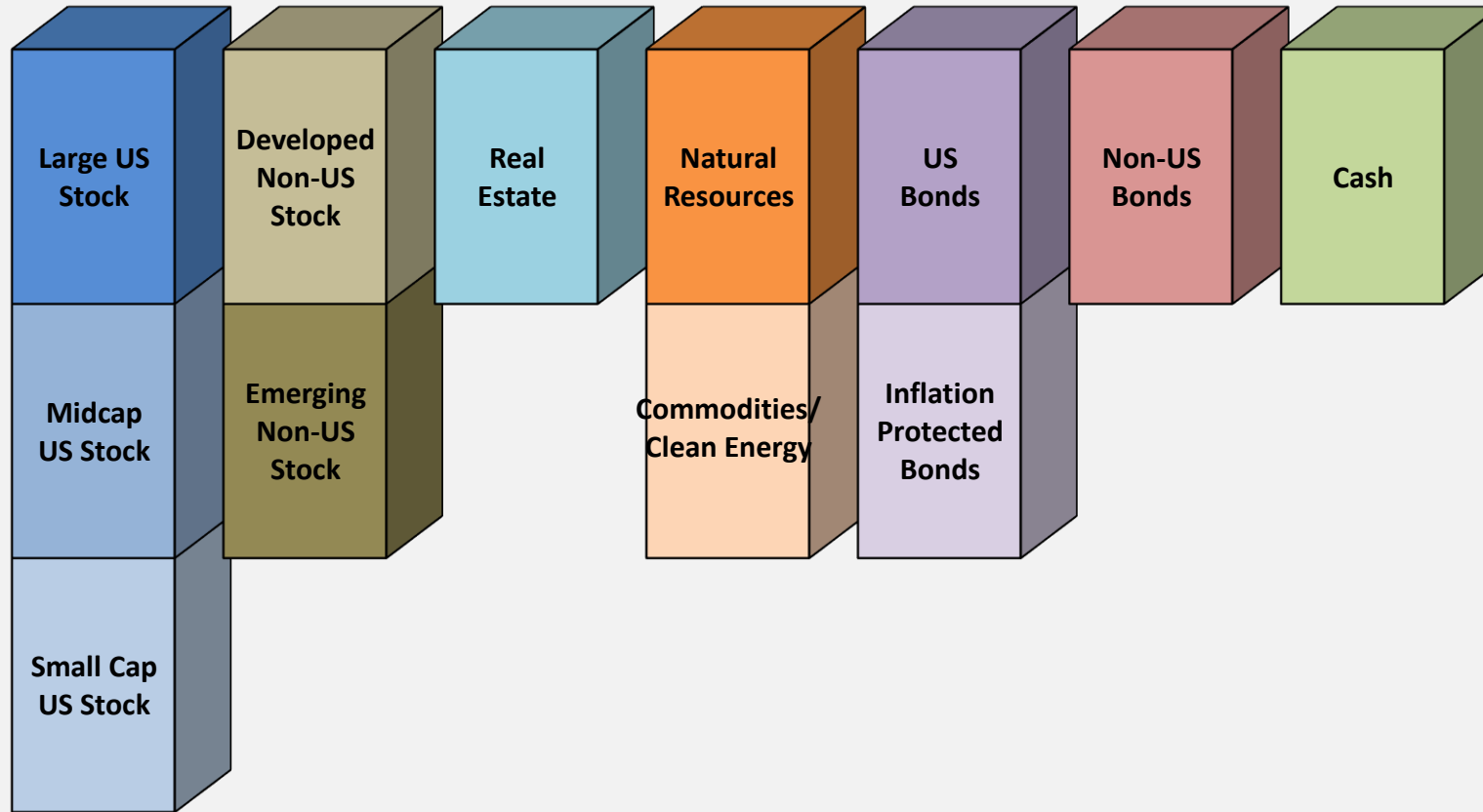
# Good Diversification

## 7-Asset Portfolio



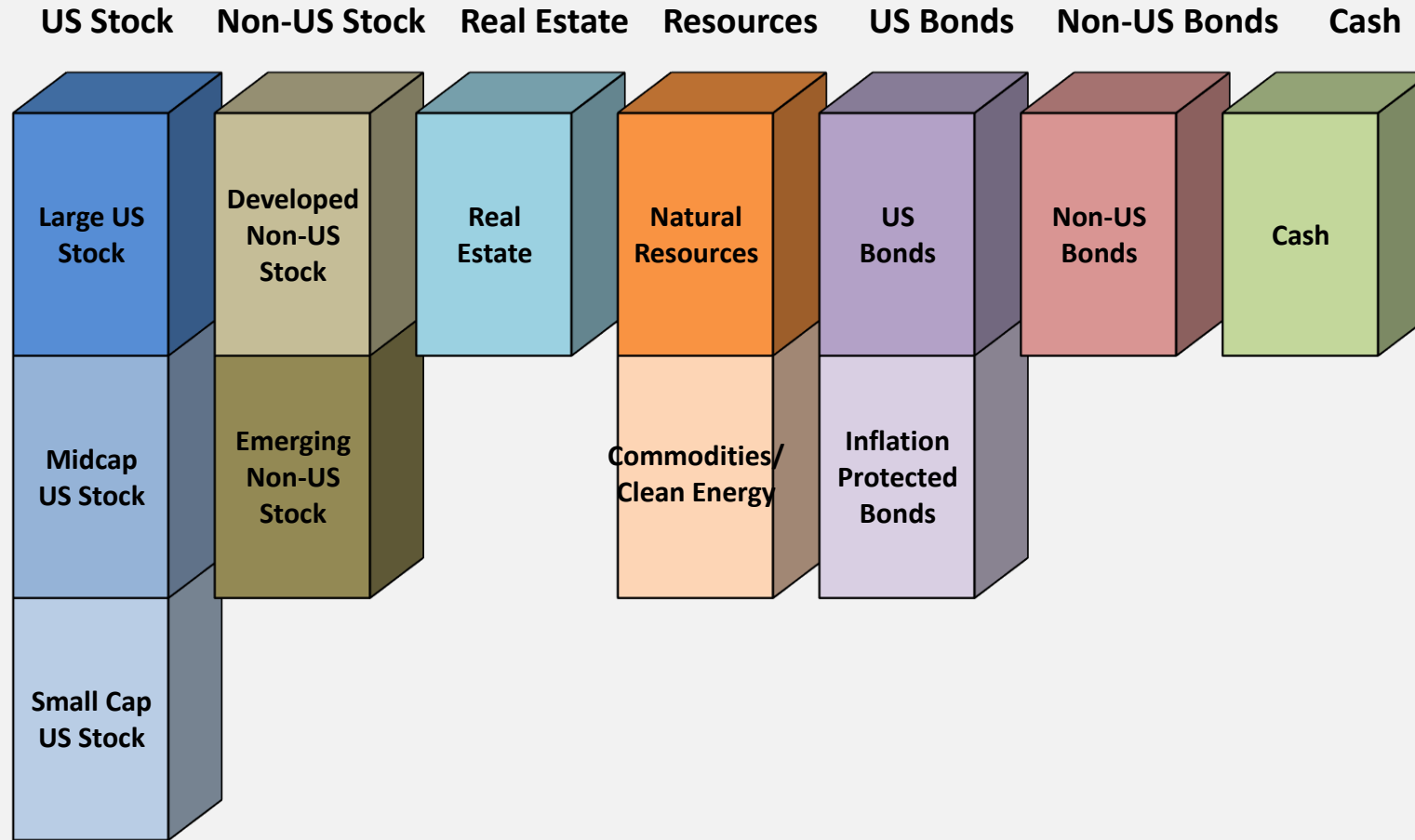
# Superior Diversification

## 12-Asset Portfolio



# 7Twelve<sup>®</sup>

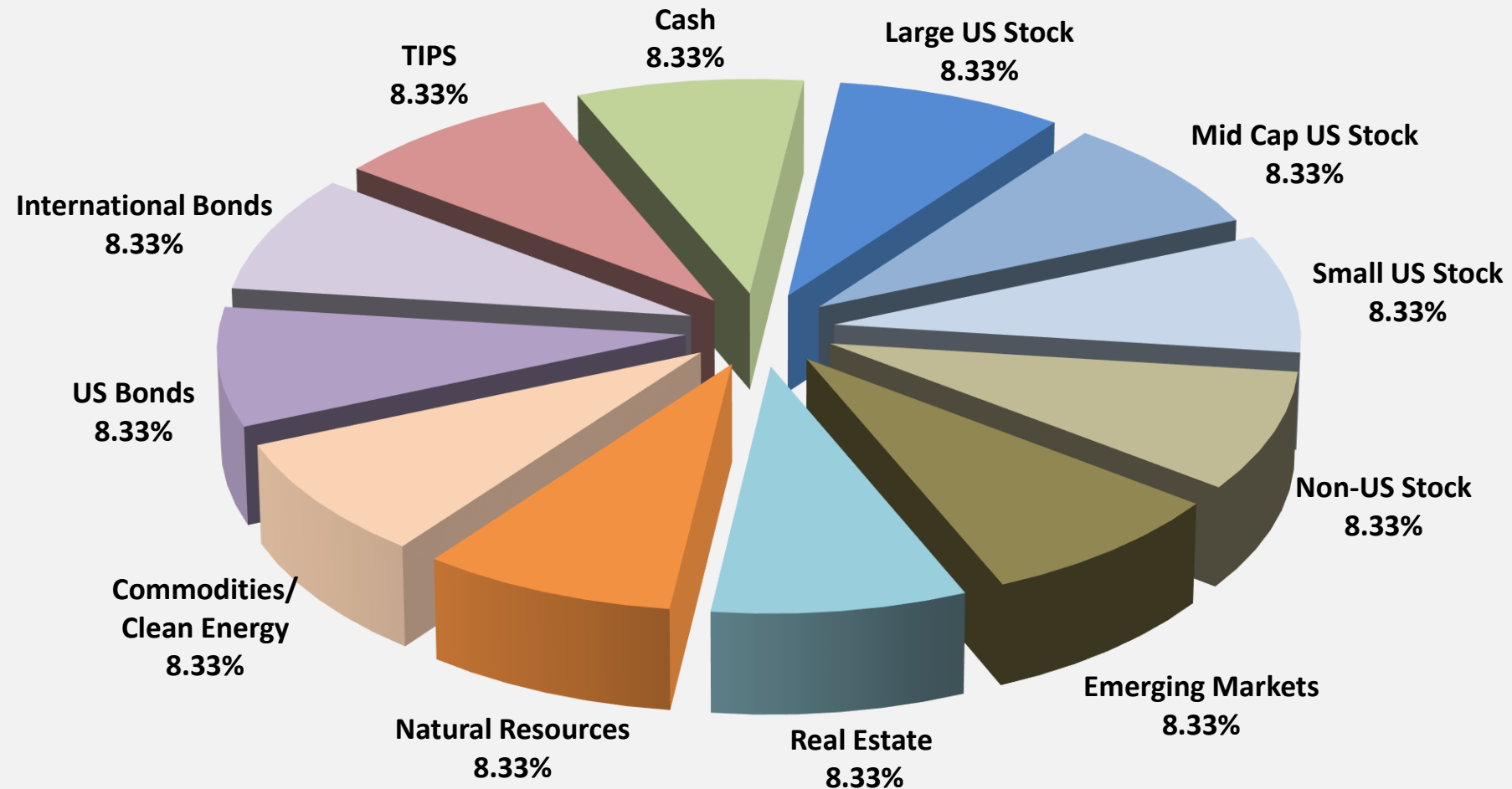
**7** Core Asset Classes    **Twelve** Actual Holdings



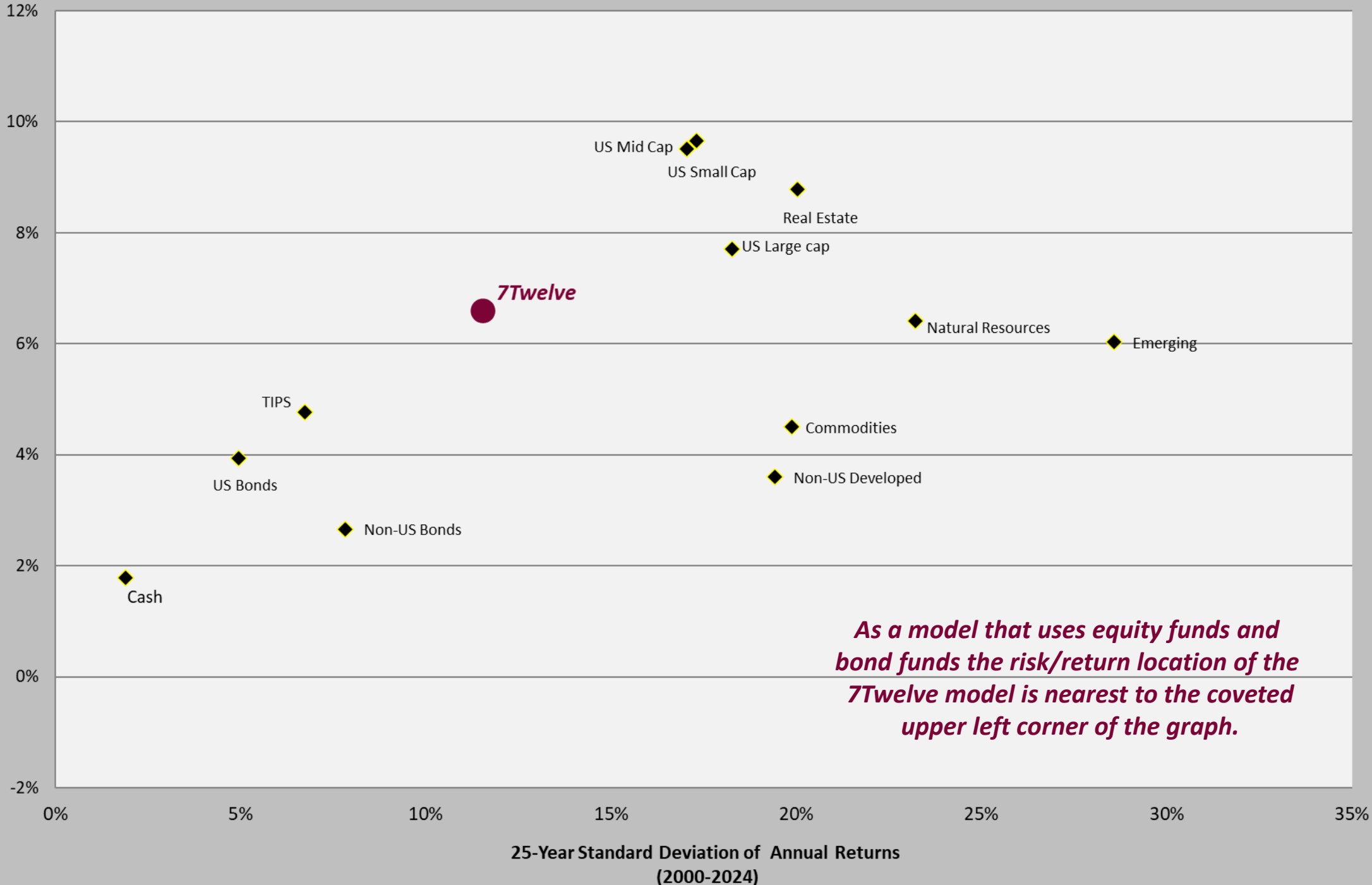




## Equally-weighted exposure to 12 asset classes








25-Year Average Annualized Return (2000-2024)



# Accumulation Portfolio Assumption

*25-Year Period from 2000-2024 with annual rebalancing*

Risk Level	Asset Allocation Models (Using Indexes)		25-Year Annualized Return (%)	25-Year Standard Deviation (%)	25-Year Growth of \$10,000
Very Conservative	100% Cash (90-day T-Bill)		1.78%	1.90%	\$15,562
Moderate	60% US Stock (S&P 500) 40% Bonds (Agg Bond)		6.64%	11.09%	\$49,943
Moderate	<b>7Twelve</b> ® Portfolio (Index-based)		6.58%	11.56%	\$49,240
Aggressive	100% US Large Stock (S&P 500)		7.70%	18.26%	\$63,876
Crazy	Chasing Last Year's Best Performing Index in Index-based <b>7Twelve</b> ® Portfolio		2.95%	18.32%	\$20,679

# **Retirement Portfolio Assumption**

**\$250,00 Starting Balance**

**5% initial withdrawal rate**

**3% annual cost of living (COLA) increase in withdrawal**

## **Analysis**






**Determine the Ending Balance After 25 Years of Annual Withdrawals**

**\$455,741 total amount withdrawn**

**January 1, 2000 – December 31, 2024**

# Retirement Portfolio Survival Analysis

25-Year Period from 2000-2024

Risk Level	Asset Allocation Models		Remaining Balance After 25 Years <small>Starting balance of \$250,000 Total Withdrawal of \$455,741</small>
Very Conservative	100% Cash		<b>\$0</b> Ran out in year 19
Conservative	50% Cash 50% Bonds		<b>\$0</b> Ran out in year 23
Moderate	60% S&P 500 40% Bonds		<b>\$4,413</b>
Moderate	Index-based <i>7Twelve</i> ® Portfolio		<b>\$298,446</b>
Aggressive	100% S&P 500		<b>\$0</b> Ran out in year 17

A non-diversified retirement portfolio consisting of 100% large cap U.S. stock (S&P 500) experienced significant negative returns near the start of the retirement period (from 2000-2002).

Portfolio losses in the early years of a retirement portfolio are deadly—as shown by the results.

This is precisely why we diversify during retirement.

25-Year Period	S&P 500 Index	<i>7Twelve</i> Portfolio
2000	-9.10	5.42
2001	-11.89	-2.09
2002	-22.10	-0.56
2003	28.68	27.10
2004	10.88	17.96
2005	4.91	12.49
2006	15.79	15.26
2007	5.49	12.32
2008	-37.00	-25.49
2009	26.46	25.64
2010	15.06	14.41
2011	2.11	-0.77
2012	16.00	10.77
2013	32.39	10.46
2014	13.69	1.49
2015	1.38	-6.06
2016	11.96	11.51
2017	21.83	11.99
2018	-4.38	-7.54
2019	31.49	16.57
2020	18.40	5.27
2021	28.71	16.85
2022	-18.11	-7.71
2023	26.29	9.26
2024	25.02	6.15

## Disclosures

Performance in the past is not a guarantee of performance in the future.

Raw data source: Steele Mutual Fund Expert

Calculations: Craig Israelsen, Ph.D.

**Indexes used for performance calculations on the previous slide.**

<b>US Large cap</b>	<b>S&amp;P 500 Index (TR)</b>
<b>US Mid Cap</b>	<b>S&amp;P Midcap 400 Index (TR)</b>
<b>US Small Cap</b>	<b>S&amp;P Small Cap 600 Index (TR)</b>
<b>Non-US Developed</b>	<b>MSCI EAFE Index NR USD</b>
<b>Emerging</b>	<b>MSCI EM Index GR USD</b>
<b>Real Estate</b>	<b>S&amp;P Global REIT Index TR USD</b>
<b>Natural Resources</b>	<b>S&amp;P North American Natural Resources Index TR</b>
<b>Commodities</b>	<b>Deutsche Bank Liquid Commodity Optimum Yield Diversified Commodity Index Total Return</b>
<b>US Bonds</b>	<b>Bloomberg US Aggregate Bond Index TR USD</b>
<b>TIPS</b>	<b>Bloomberg U.S. Treasury US TIPS Index TR USD</b>
<b>Non-US Bonds</b>	<b>Bloomberg Global Treasury Index TR</b>
<b>Cash</b>	<b>US Treasury Bill 90 Day TR</b>

# Low-Cost **7Twelve®** Models

## Total % Return

as of 12/31/2024 assuming annual rebalancing

<b>7Twelve® Model</b>	<i>Active 7Twelve</i>  <i>12 actively managed funds</i>	<i>Passive 7Twelve</i>  <i>12 ETFs from various families</i>	<i>Vanguard Mutual Fund 7Twelve</i>  <i>12 Vanguard mutual funds</i>	<i>Vanguard ETF 7Twelve</i>  <i>12 Vanguard ETFs</i>	<i>Fidelity 7Twelve</i>  <i>12 Fidelity mutual funds</i>	<i>Schwab 7Twelve</i>  <i>12 Schwab ETFs</i>
<b>Portfolio Aggregate Annual Expense Ratio</b> (bps = basis points)	<b>0.58%</b>	<b>0.27%</b>	<b>0.25%</b>	<b>0.13%</b>	<b>0.32%</b>	<b>0.17%</b>
<b>25-Year Average Annualized Return</b> (2000-2024)	<b>6.72%</b>	<b>5.98%</b>	<b>6.50%</b>	<b>6.39%</b>	<b>7.13%</b>	<b>6.15%</b>



# 7Twelve® Models

Rebalancing Frequency

25-Year Annualized Return from January 1, 2000 to December 31, 2024

7Twelve model	No Rebalancing	Monthly Rebalancing	Quarterly Rebalancing	Semi-annual Rebalancing	Annual Rebalancing
Index-based	6.46%	6.43%	6.58%	6.53%	6.58%
Passive ETF	5.83%	5.85%	5.97%	5.93%	
Active	6.45%	6.34%	6.53%	6.61%	
Vanguard ETF	6.14%	6.30%	6.43%	6.30%	6.39%
Fidelity	6.66%	7.01%	7.13%	7.14%	7.13%
Schwab	6.33%	6.04%	6.15%	6.08%	6.15%



# Craig L. Israelsen, Ph.D.

Executive-in-Residence  
Financial Planning Program  
Utah Valley University

**7Twelve<sup>®</sup>** Portfolio

[craig@7TwelvePortfolio.com](mailto:craig@7TwelvePortfolio.com)

[www.7TwelvePortfolio.com](http://www.7TwelvePortfolio.com)

# Let's test drive your retirement portfolio!

Fire up the *Retirement Portfolio Analyzer* spreadsheet.