

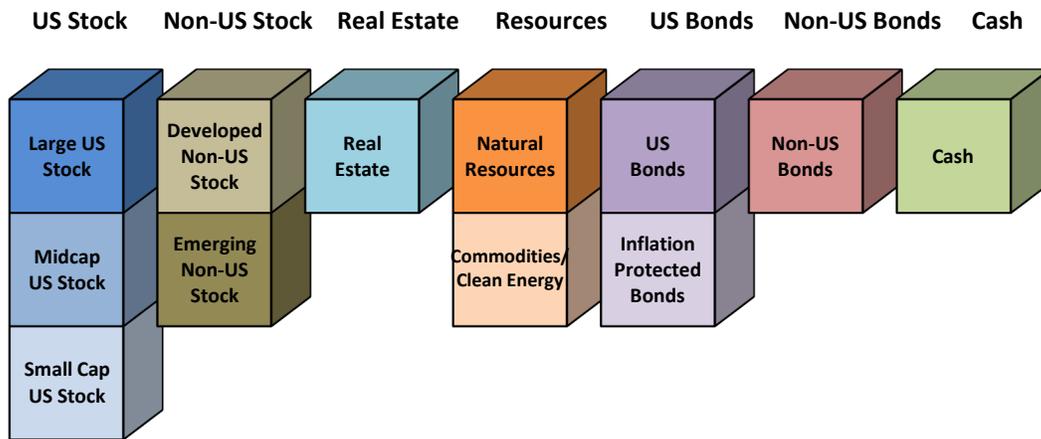
The 7Twelve® Balanced Portfolio
A Diversified Approach to Retirement

Craig L. Israelsen, Ph.D. www.7TwelvePortfolio.com January 2024

Let’s consider two blueprints or models for a retirement portfolio. A common starting point might be a balanced fund with a 60/40 allocation—60% equity and 40% fixed income. Why stop at two asset classes? If diversification is a central tenet of modern portfolio theory, then it is completely logical that an investment portfolio should be more—not less—diversified. **Think of salsa with all those delicious, but very different, ingredients!**

Introducing the 7Twelve® Portfolio with exposure to 7 broad asset classes (US equity, non-US equity, real estate, resources, US bonds, non-US bonds, and cash). Each of the 12 sub-components (mutual funds and/or ETFs) is equally weighted at 8.33%. The 7Twelve model is rebalanced periodically to maintain the 8.33% equal weighting. The largest asset weighting is in US equity with $8.33\% \times 3 = 25\%$ of the overall allocation. In general, 7Twelve has approximately a 65% allocation to equity and diversifying asset classes and a 35% allocation to fixed income.

7Twelve® Balanced Strategy:
A Blueprint for a Diversified 12-Asset Retirement Portfolio



How has the more diversified 7Twelve model performed in comparison to a less diversified 60/40 retirement portfolio? Both portfolios were given a starting balance of \$1 million on January 1, 1999 and then \$40,000 was withdrawn annually (at the end of each year) over the next 25 years. A total of \$1 million was withdrawn over the 25-year period. At the end of 2023, the 7Twelve model had a higher balance by over \$1 million.

Performance of Two Retirement Portfolios (Index-based)
(Annual rebalancing assumed)

Retirement Portfolio Models →	60% US Stock/ 40% US Bonds (Meat and potatoes)	7Twelve® Portfolio (Salsa)
\$1,000,000 starting balance on Jan 1, 1999 \$40,000 annual withdrawals for 25 years (Total 25-year withdrawal of \$1 million)		
Ending Portfolio Balance on Dec 31, 2023	\$2,097,029	\$3,141,851

Your retirement portfolio is stronger when it’s more diversified.