The 7Twelve® Portfolio: An Introduction

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This brief report introduces a multi-asset portfolio design that brings a higher standard to the notion of "diversified". This design is referred to as the ***7Twelve*** portfolio.

The name "**7Twelve**" refers to "**7**" asset categories with "**Twelve**" underlying mutual funds and/or exchange traded funds (ETFs). The seven asset categories include: US stock, non-US stock, real estate, resources, US bonds, non-US bonds, and cash. The 7Twelve model is shown below in Figure 1.

The 12 mutual funds utilized in the 7Twelve design can be index funds or actively managed funds. You can build the 7Twelve model in an IRA account, 401(k) account, regular investment account…you name it. All 12 funds are equally weighted in the "core" 7Twelve model (each with an allocation of 8.33%). The equal weighting is maintained by periodic rebalancing. There are also three "Age Based" versions of the 7Twelve model that progressively reduce the risk of the portfolio.

You can build the 7Twelve portfolio using mutual funds and/or ETFs from a wide variety of mutual fund companies—as illustrated on the next page.

Figure 1. The *7Twelve* Portfolio Model

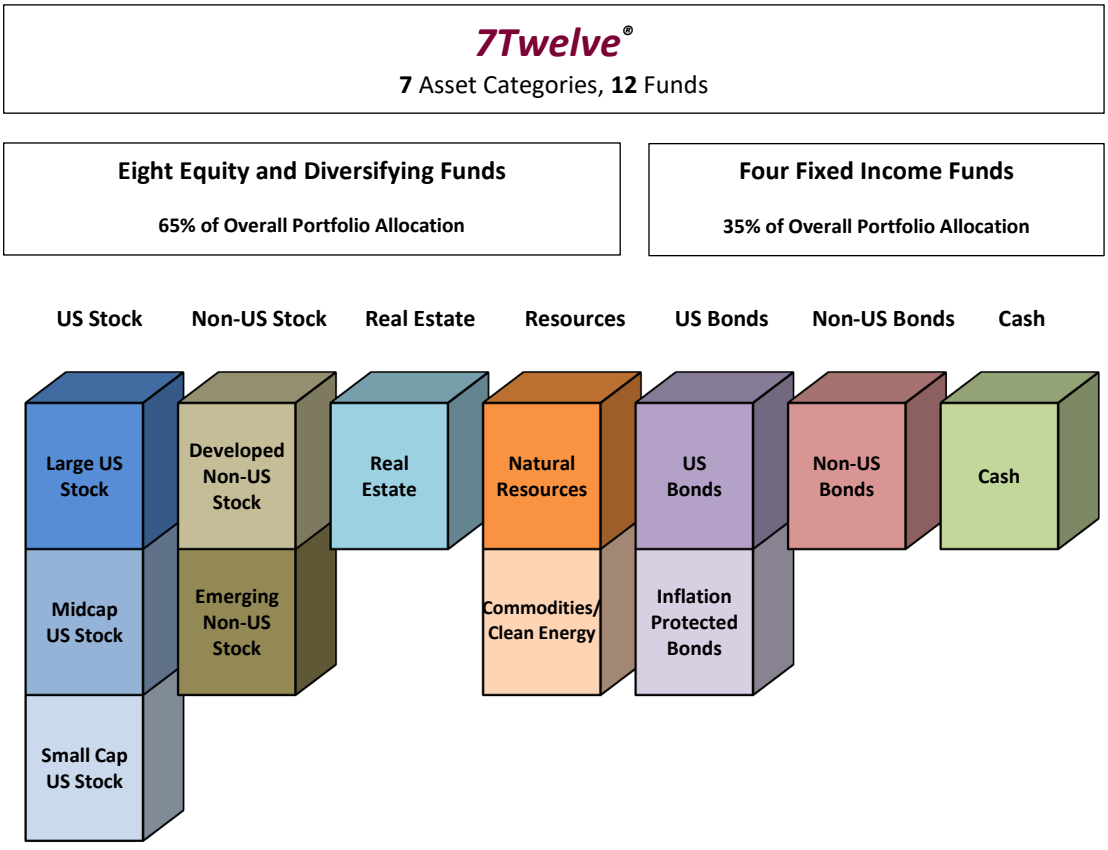

Table 1. 28-Year Performance of various *7Twelve* models vs. 7Twelve Index (as of 12/31/2025)

Year (Negative returns in red)	Index-based 7Twelve Benchmark	Active 7Twelve	Passive 7Twelve	Vanguard Mutual Fund 7Twelve	Vanguard ETF 7Twelve	Fidelity 7Twelve	Schwab ETF 7Twelve
1998	1.56	0.39	1.54	1.15	3.06	(5.51)	2.20
1999	16.84	16.63	16.82	15.33	15.23	23.82	16.60
2000	5.42	11.21	5.42	8.54	4.48	7.89	2.96
2001	(2.09)	2.98	(1.94)	(0.52)	0.06	(0.13)	(0.16)
2002	(0.56)	2.18	(0.64)	(0.11)	(2.25)	(0.04)	0.76
2003	27.10	28.82	26.95	26.56	28.04	27.24	27.71
2004	17.96	19.79	17.80	19.06	17.38	18.27	17.00
2005	12.49	12.91	12.34	12.52	10.78	16.87	9.77
2006	15.26	15.98	14.96	15.47	16.20	15.66	15.50
2007	12.32	13.78	11.58	11.52	11.16	13.40	10.41
2008	(25.49)	(28.14)	(25.16)	(25.26)	(26.71)	(30.84)	(25.89)
2009	25.64	32.36	25.64	24.54	28.62	30.84	29.35
2010	14.41	14.52	14.41	14.22	15.59	15.19	14.23
2011	(0.77)	(6.31)	(1.00)	(0.22)	(0.84)	(3.16)	(2.29)
2012	10.77	12.42	10.64	10.49	11.94	12.96	11.97
2013	10.46	11.33	9.65	8.14	12.69	11.72	11.08
2014	1.49	0.05	2.50	5.59	5.81	3.54	3.42
2015	(6.06)	(6.96)	(5.07)	(5.07)	(4.48)	(4.83)	(3.90)
2016	11.51	9.19	10.14	12.76	11.04	11.06	8.96
2017	11.99	13.67	11.97	11.39	11.84	12.87	12.57
2018	(7.54)	(7.64)	(5.89)	(9.25)	(7.69)	(8.41)	(6.71)
2019	16.57	16.16	15.89	17.31	17.04	17.52	15.94
2020	5.27	13.82	5.78	5.14	3.63	9.65	7.88
2021	16.85	5.28	6.48	8.56	7.75	16.68	10.12
2022	(7.71)	(18.60)	(14.02)	(11.43)	(12.52)	(15.59)	(16.10)
2023	9.26	11.86	8.10	10.77	8.99	13.88	9.46
2024	6.15	9.27	9.12	7.76	8.91	8.15	7.14
2025	**13.11**	**15.28**	**11.17**	**18.92**	**17.50**	**14.23**	**13.14**
3-Year Annualized Return[1]	**9.47**	**12.11**	**9.46**	**12.38**	**11.73**	**12.05**	**9.89**
5-Year Annualized Return[1]	**7.18**	**3.84**	**3.72**	**6.42**	**5.63**	**6.74**	**4.16**
10-Year Annualized Return[1]	**7.20**	**6.23**	**5.50**	**6.73**	**6.22**	**7.44**	**5.78**
15-Year Annualized Return[1]	**5.77**	**4.72**	**4.72**	**5.69**	**5.74**	**6.21**	**5.13**
20-Year Annualized Return[1]	**6.02**	**5.41**	**5.20**	**5.89**	**6.07**	**6.27**	**5.57**
25-Year Annualized Return[1]	**6.88**	**6.87**	**6.21**	**6.89**	**6.90**	**7.38**	**6.55**
28-Year (Lifetime) Return[1]	**6.98**	**7.12**	**6.37**	**7.03**	**6.96**	**7.45**	**6.60**
25-Yr Growth of $10,000	52,831	52,631	45,097	52,900	52,971	59,243	48,824
25-Year Standard Deviation of Annual Returns (%)	11.61	13.51	11.55	11.71	12.23	13.39	12.06
Annual % Expense Ratio in January 2026	--	**0.47**	**0.19**	**0.21**	**0.12**	**0.29**	**0.16**

Past performance does not guarantee future performance.

The Index-based 7Twelve model is not investable. Raw indexes cannot be invested in.

The core 7Twelve model equally weights all 12 funds (mutual funds and/or ETFs) at 8.33% each as shown below. For those wanting to build one of the 7Twelve Age Based models the suggested allocations for each of the 12 funds are shown below in Table 2.

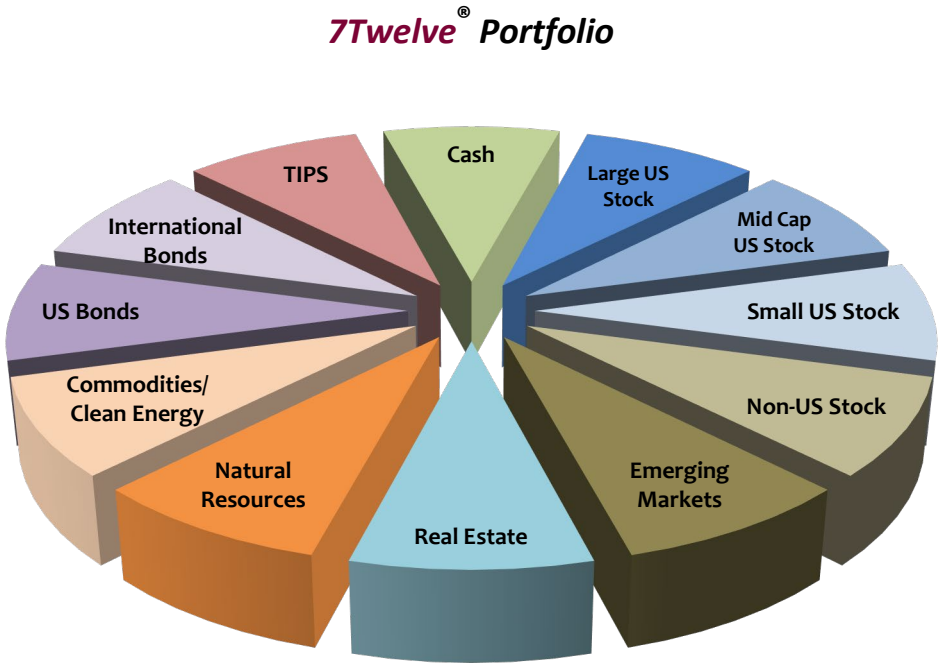

Table 2. Portfolio Allocations for the *7Twelve* Core Model and Age Based Models

7Twelve Model →	***7Twelve*** **Core Model**	***7Twelve*** **Age-Based 50-60**	***7Twelve*** **Age-Based 60-70**	***7Twelve*** **Age-Based 70+**
7Twelve Asset Category	***7Twelve*** **Age-Based Portfolio Allocation**			
Large US Stock	8.33%	6.67%	5.00%	3.33%
Mid Cap US Stock	8.33%	6.67%	5.00%	3.33%
Small US Stock	8.33%	6.67%	5.00%	3.33%
Non-US Stock	8.33%	6.67%	5.00%	3.33%
Emerging Markets	8.33%	6.67%	5.00%	3.33%
Real Estate	8.33%	6.67%	5.00%	3.33%
Natural Resources	8.33%	6.67%	5.00%	3.33%
Commodities/Clean Energy	8.33%	6.67%	5.00%	3.33%
US Bonds	8.33%	6.67%	5.00%	3.33%
Inflation Protected Bonds	8.33%	6.67%	5.00%	3.33%
International Bonds	8.33%	6.67%	5.00%	3.33%
Cash	**8.33%**	**26.67%**	**45.00%**	**63.33%**
TOTAL EQUITY Allocation %	**67%**	**53%**	**40%**	**27%**
TOTAL BOND/CASH Allocation %	**33%**	**47%**	**60%**	**73%**

Rebalancing the *7Twelve* Portfolio

Rebalancing is a vitally important element of the 7Twelve design. Very simply, rebalancing is the process of systematically bringing each of the 12 funds in your specific 7Twelve model (Active, Passive, Vanguard, etc.) back to their allotted allocation (8.33% in the core 7Twelve model) or the specified allocation if you've built an Age Based 7Twelve portfolio (see Table 2). For example, some money is taken out of the funds that performed better in the prior year and deposited into the funds that under-performed in the prior year in order to "re-balance" the account values in all the funds. That's all that rebalancing is—a straight-forward, non-emotional portfolio management system.

***7Twelve* as a Retirement Portfolio**

The diversified 7Twelve portfolio performs well as an investment portfolio during the retirement years. The table below illustrates the **ending account balances** on December 31, 2025 of a retirement account with a starting balance of $250,000 on January 1, 2001. The first-year annual withdrawal was 5% of the balance (or $12,500). The annual cash withdrawal was increased 3% each year over the 25-year withdrawal period amounting to a total 25-year withdrawal of $455,741. The various 7Twelve "core" models finished with balances well above the starting balance—while the comparison Vanguard funds did not.

Retirement Portfolio Survival After 25 Years of Annual Withdrawals

Starting balance of $250,000 on January 1, 2001
Total withdrawal of $455,741 over 25 years

Various *7Twelve* Models	*7Twelve* Core Model 67% Equity 33% Bonds/Cash	*7Twelve* Age-Based 50-60 53% Equity 47% Bonds/Cash	*7Twelve* Age-Based 60-70 40% Equity 60% Bonds/Cash	*7Twelve* Age-Based 70 Plus 27% Equity 73% Bonds/Cash
	Ending Account Balances After 25 Years of Withdrawals on Dec 31, 2025			
Active 7Twelve	**$409,209**	**$246,123**	**$106,471**	**$0** (ran out in year 25)
Passive ETF 7Twelve	**$264,692**	**$147,368**	**$45,377**	**$0** (ran out in year 24)
Vanguard Mutual Fund 7Twelve	**$350,049**	**$197,323**	**$70,749**	**$0** (ran out in year 24)
Vanguard ETF 7Twelve	**$354,216**	**$203,141**	**$76,274**	**$0** (ran out in year 24)
Fidelity 7Twelve	**$440,719**	**$258,143**	**$106,806**	**$0** (ran out in year 25)
Schwab 7Twelve	**$317,569**	**$180,998**	**$64,547**	**$0** (ran out in year 24)
Vanguard Balanced Index	**$129,986**			
Vanguard STAR	**$203,797**			
Vanguard 500 Index	**$0 (ran out in year 23)**			

Building a diversified portfolio is only one aspect of an investment strategy.
Additionally, set a goal to invest 10-15% of your income each year.

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