

# ARCHITECT YOUR WEALTH

ASSET ALLOCATION FOR A  
LIFE YOU'RE BUILDING

IN THIS GUIDE

# WHAT we'll be COVERING

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01

WHY ASSET ALLOCATION MATTERS?

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02

WHAT ARE ASSETS?

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03

ASSET ALLOCATION STRATEGIES

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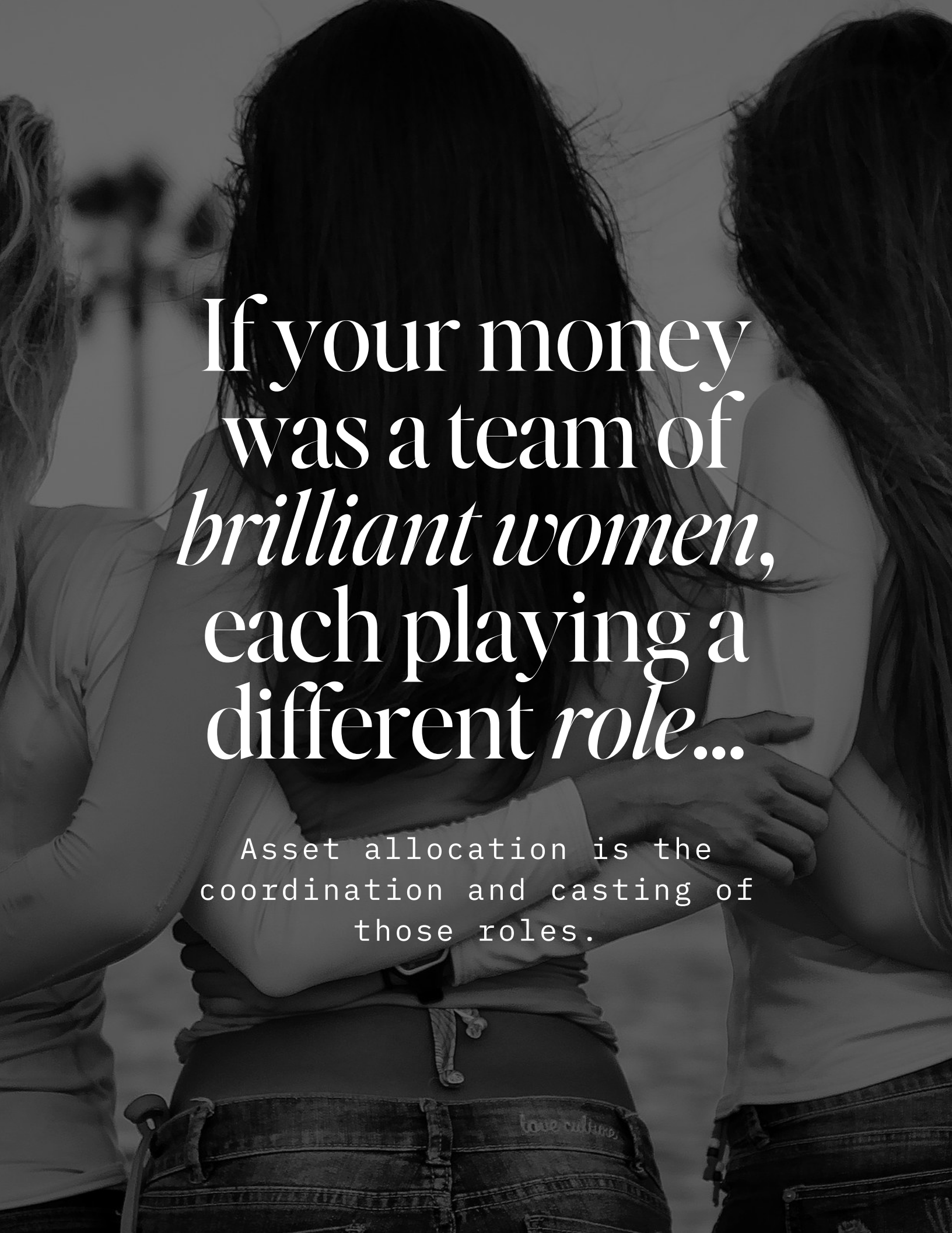
04

EXPERT INSIGHTS

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ASSET ALLOCATION FOR REAL WOMEN

A black and white photograph of three women from behind, standing close together. The woman in the center has long dark hair and is wearing a light-colored long-sleeved shirt and jeans. The woman on the left has blonde hair and is wearing a light-colored long-sleeved shirt. The woman on the right has long dark hair and is wearing a light-colored long-sleeved shirt. They are all looking towards the right side of the frame. The background is a bright, slightly out-of-focus outdoor setting.

If your money  
was a team of  
*brilliant women*,  
each playing a  
different *role*...

Asset allocation is the  
coordination and casting of  
those roles.

ONE:

# *Why* ASSET ALLOCATION *matters*



PERSPECTIVES : INVESTMENT | JULY 28, 2025

## Adding value through a strategic approach

Originally published February 12, 2024

Strategic versus tactical asset allocation is an age-old debate in the world of asset managers, fiduciaries, and everyday investors alike. When it comes to long-term portfolios, specifically target-date funds (TDFs), which approach has the greatest impact on retirement outcomes, and how do you ensure that you have the right allocation mix on an ongoing basis?

### Determining the appropriate asset allocation for retirement success

Our position on asset allocation is rooted in research that has consistently shown that the mix of assets in broadly diversified portfolios is by far the greatest determinant of both total returns and return variability over the long term. In addition to the seminal study conducted by Gary P. Brinson, L. Randolph Hood, and Gilbert L. Beebower in 1986, Vanguard research has upheld that, **over time, more than 90% of a portfolio's return variability can be explained by its strategic asset allocation.**

Vanguard has developed a set of investment principles that we believe are important to long-term investment success: **having clear and appropriate investment goals; developing a suitable asset allocation using broadly diversified, or balanced, funds; minimizing costs; and maintaining perspective and long-term discipline (Figure 1).** In designing a solution for the wide range of TDF investors, we strongly believe in balancing risk aversion and other investor risk preferences with return expectations that appropriately compensate for those risks. As such, strategic asset allocation is a core part of the portfolio construction framework that underpins this investment philosophy and our approach to TDF design.

Source: Vanguard.

Conversely, as our study shows, short-term tactical investment decisions, market-timing, and security selection had relatively little impact on return variability over longer time periods. The primary reason for this is that within broadly diversified portfolios, it is extremely difficult to consistently replicate over a multidecade time horizon, which is what TDFs are specifically designed for.

In order for each tactical move to succeed, portfolio managers need to be right in not just one but all of the following areas:

- Identifying a reliable indicator of short-term future market returns.
- Timing the exit from an asset class or the market down to the precise day.
- Timing reentry to an asset class or the market down to the precise day.
- Deciding on the size of the allocation and how to fund the trade.
- Executing the trade at a cost less than the expected benefit (reflecting transaction costs, spreads, and taxes).

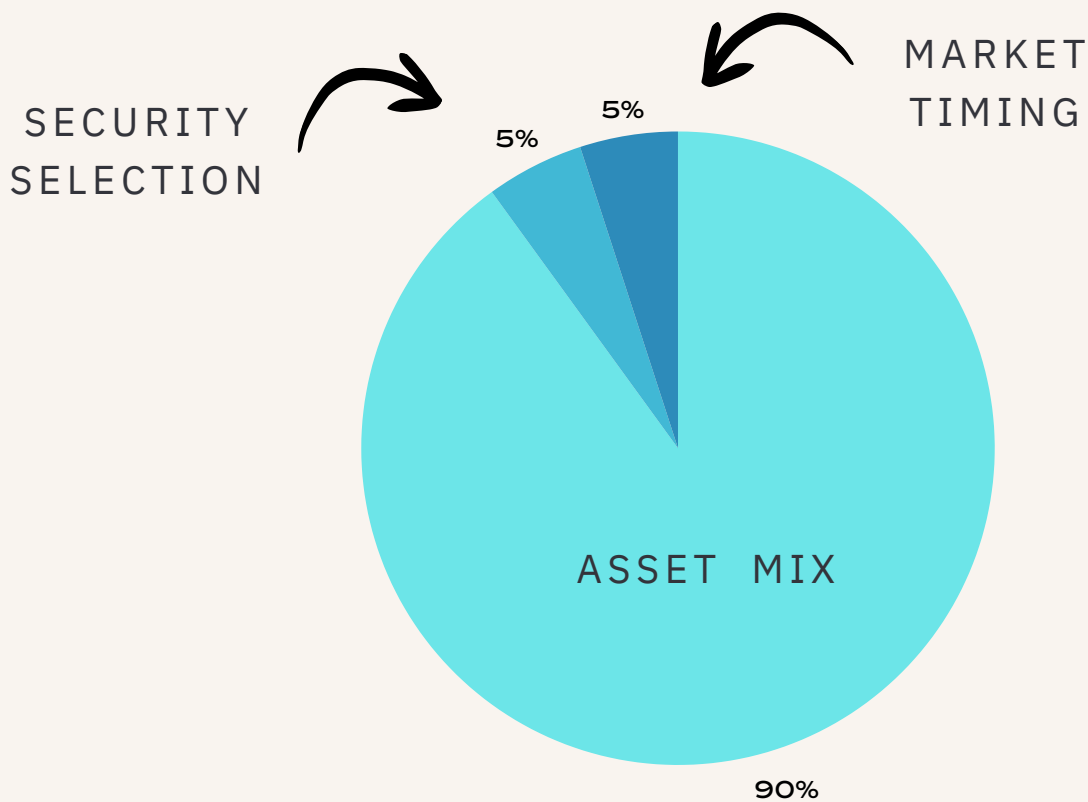
Even if a portfolio manager can get these steps right most of the time, the long-term value is marginal. Vanguard previously conducted an analysis of the incremental benefits of market-timing based on how frequently a hypothetical investor might be successful in anticipating economic surprises and found the following: **An investor would have to be correct at least 75% of the time to get a return only slightly higher than that of the traditional baseline 60/40 portfolio.** While there are professional asset managers who demonstrate such skill, very few can consistently achieve a 75% hit rate, especially in a globally diversified portfolio.

[article link.](#)

“It’s not the stock you pick—it’s the mix you pick.” – Brinson, Hood & Beebower (1986)

## THE 90% RULE

# WHAT DRIVES (THE VARIABILITY OF) YOUR RETURNS



**THESE ARE THE FOUNDATIONAL STUDIES THAT MADE ASSET ALLOCATION “FAMOUS.”**

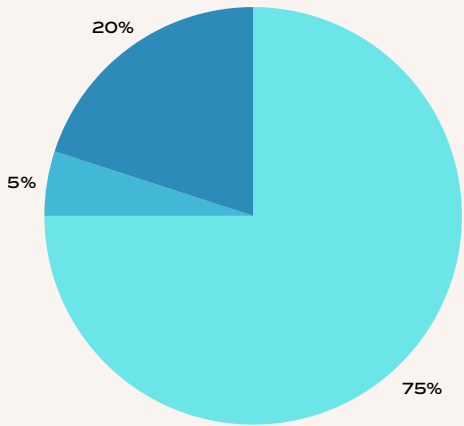
- ORIGINAL PAPER: DETERMINANTS OF PORTFOLIO PERFORMANCE (FINANCIAL ANALYSTS JOURNAL, 1986)
- FOLLOW-UP: DETERMINANTS OF PORTFOLIO PERFORMANCE II: AN UPDATE (1991)

# THE 4 CORE BUCKETS: WHAT THEY ARE & WHAT THEY DO

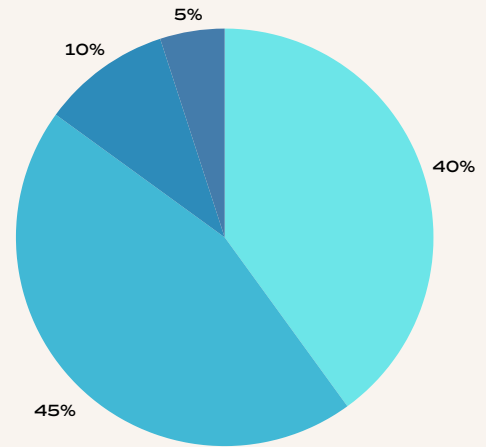
Asset Class	Function	When It Helps You Most	Typical Return / Risk Profile
Stocks (Equities)	Growth & Wealth Creation	Long-term investing; beating inflation	Highest potential return, highest volatility
Bonds (Fixed Income)	Stability & Income	Offsetting stock volatility; steady income	Moderate return, lower risk
Cash (Short-Term)	Safety & Flexibility	Emergencies, opportunities, spending	Very low return, minimal risk
Alternatives (e.g. Real Estate, Gold, Private Investments, Commodities, Crypto)	Diversification & Inflation Protection	Inflationary or unstable markets	Mixed risk/return depending on type

# FOR DISCUSSION: EXAMPLES

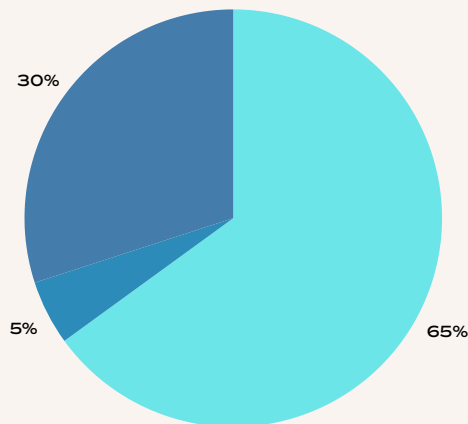
## THE ART OF BALANCE



**YOUNG SINGLE MOTHER,**  
*40-YEAR HORIZON*  
75% STOCKS  
5% BONDS  
20% CASH



**MARRIED COUPLE**  
*AGE 65*  
40% STOCKS  
45% BONDS  
10% CASH  
5% ALTERNATIVES



**ENTREPRENEUR**  
*30S*  
65% STOCKS  
5% CASH  
30% ALTERNATIVES

A still life photograph featuring a glass cup and saucer, a seashell, and a textured wall. The cup and saucer are made of clear glass and are positioned in the upper left. A single seashell, likely a scallop, is placed in the lower right. The background is a wall with a rough, textured surface. The lighting is dramatic, with strong shadows and highlights. The overall mood is contemplative and artistic.

TWO

# *What are* ASSETS?

AN ASSET IS SOMETHING THAT EITHER  
PAYS YOU OR GROWS FOR YOU.

01

STOCKS  
Growth & wealth creation

02

BONDS  
stability and Income

03

CASH  
Liquidity & options

04

REAL ESTATE  
Income + inflation protection

05

GOLD / COMMODITIES  
Hedge & crisis protection

06

ALTERNATIVES  
Diversification & opportunity

traditional

non-traditional

## TRENDS IN ASSET ALLOCATION

THE WALL STREET JOURNAL.

MARKETS & FINANCE | INVESTING

### Variations on the Classic 60/40 Portfolio to Consider Now

What percentage of stocks and bonds works best? Some financial pros suggest considering some different ratios—and adding some other assets to the mix

By Lori Ioannou

Sept. 6, 2025 9:00 am ET



266



Gift unlocked article



Listen (8 min)



## DISCUSSION

#### Returns on custom model portfolios

■ Total annualized return 25 years\*

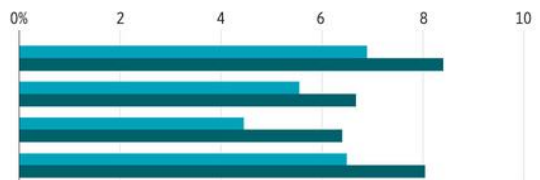
■ Total return, year to date<sup>†</sup>

60/40

30/70

25/25/25/25 Permanent

30/40/15/7.5/7.5 All-Weather



\*From Aug. 30, 2000, to Aug. 29, 2025

<sup>†</sup>From Jan. 1 to Aug. 29, 2025

Note: Morningstar Direct created custom portfolio models using indexes and benchmarks that represent various asset classes, including the Morningstar US Market Index, Morningstar US Core Bond Index, Morningstar US 5-10 Year Treasury Bond Index, Morningstar U.S. 10+ Treasury Bond Index, Morningstar US Cash T-Bill Index, Bloomberg Commodity Total Return Index, and LBMA Gold Price PM benchmark

Source: Morningstar Direct

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**FEATURES**

## David Swensen's guide to sleeping soundly

Financial wisdom for troubled times—plus strong opinions on the current crisis—from Yale's in-house Warren Buffett.

By Marc Gunther | Mar/Apr 2009

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Marc Gunther '73, a contributing writer to *Fortune* magazine, blogs at [marcgunther.com](#).

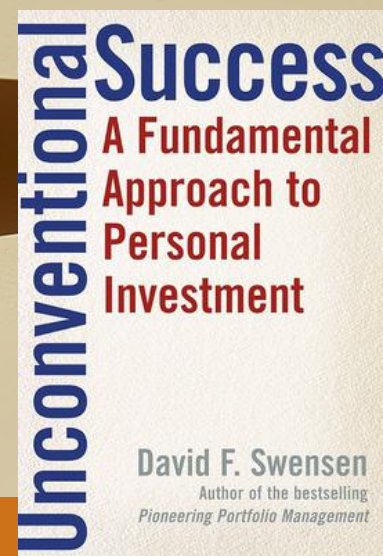
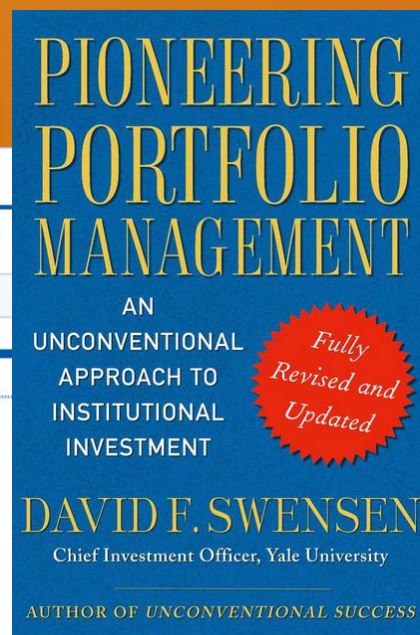
Mark Ostow

David Swensen '80PhD, as seen through a window in Yale's Investment Office. [View full image](#)

**Swensen's recipe for investing**

In just under a quarter-century as Yale's chief investment officer, David Swensen '80PhD has generated Bernard Madoff-like returns—except that Swensen made his money honestly. Under his leadership, Yale's endowment has generated an astonishing 20 consecutive years of positive returns, from 1988 to 2008.

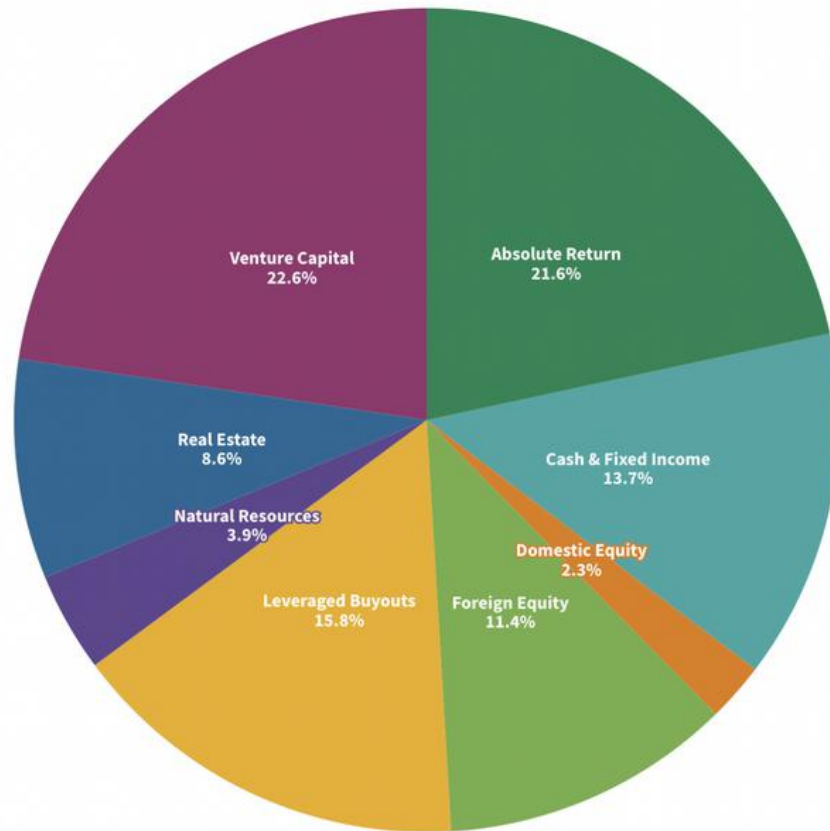
That streak will likely come to an abrupt end because of last fall's financial crisis. Yale had already lost \$5.9 billion this year as of December. But these losses should not tarnish Swensen's reputation as one of the world's great money managers. When Swensen, at the age of 31, left a well-paid job on Wall Street for Yale in 1985, the endowment was worth a little more than \$1 billion. Last June 30, it was worth \$22.9 billion. Today, it is worth about \$17 billion.




# ANOTHER FAMOUS MODEL

DAVID SWENSON, ONE OF THE WORLD MOST FAMOUS MONEY MANAGERS

## Yale Endowment Asset Allocations (as of June 30, 2020)



Asset Class	Approx. Allocation	Purpose / Role
<b>U.S. Equity</b>	2–5 %	Minimal – U.S. markets are efficient, so Yale looks elsewhere for alpha
<b>Foreign Equity (Developed + Emerging)</b>	15–20 %	Global diversification & growth
<b>Fixed Income / Cash</b>	5–10 %	Liquidity buffer, downside protection
<b>Private Equity &amp; Venture Capital</b>	30–35 %	Core growth engine with illiquidity premium
<b>Hedge Funds / Absolute Return</b>	15–20 %	Uncorrelated strategies, smooth volatility
<b>Real Assets (Real Estate, Timber, Natural Resources)</b>	20–25 %	Inflation protection, tangible diversification

A tropical beach scene with palm trees, lounge chairs, and a swimming pool. The image is a composite with a central rectangular area showing a beach and pool, and a larger background image of a beach with waves. The central area has a semi-transparent overlay where the text is located. The background image shows a beach with waves and a cloudy sky. The central area shows a swimming pool in the foreground, two lounge chairs under a large umbrella, and palm trees in the background. The text is overlaid on the central area.

THREE

# *Asset Allocation* STRATEGIES

# STRATEGIC ASSET ALLOCATION (SSA)

## What it is:

You set a long-term target mix (e.g., 70% stocks / 20% bonds / 10% cash) and rebalance periodically. It's rules-based, steady, and goal-aligned.

## When it's appropriate:

- You're focused on long-term goals (retirement, education, wealth building)
- You don't want to time markets or trade frequently
- You want a "set it and review it" approach

## Who it's for:

✓ Most investors; especially beginners, busy professionals, or anyone building wealth patiently

# CONSTANT-WEIGHTING ALLOCATION

## **What it is:**

You rebalance more actively, whenever your allocation drifts. If stocks rise and exceed your target, you sell a bit; if they fall, you buy more (enforcing “buy low, sell high.”)

## **When it's appropriate:**

- Markets are volatile and you want to systematically take advantage of price swings
- You prefer a disciplined but slightly more active strategy

## **Who it's for:**

✓ Moderately experienced investors or those who like to stay involved

# TACTICAL ASSET ALLOCATION (TAA)

## What it is:

You make short-term shifts based on your outlook — increasing or decreasing exposure to certain assets temporarily. It's a blend of strategy and market intuition.

## When it's appropriate:

- You have a well-informed market view (e.g., think inflation will rise → add commodities)
- You can monitor markets regularly
- You want to capture opportunities without abandoning your core plan

## Who it's for:

- ⚙️ Experienced investors, financial advisors, or professionals with data access and discipline
- ⚠️ Not ideal for emotional or busy investors

# DYNAMIC ASSET ALLOCATION

## **What it is:**

You adjust your allocation continuously based on performance trends or economic signals. If an asset class is performing well, you lean in; if it weakens, you trim. It's momentum-based and flexible.

## **When it's appropriate:**

- You have systems, research, or algorithms that track market momentum
- You want a fully active, adaptive strategy

## **Who it's for:**

⚙ Professional portfolio managers, hedge funds, or high-net-worth investors with expert support

# INSURED ASSET ALLOCATION (IAA)

## What it is:

You set a “floor” for your portfolio — the minimum value you’re willing to tolerate. If your portfolio drops to that floor, you shift into risk-free assets (like T-bills) to protect what’s left.

## When it’s appropriate:

- You have limited risk tolerance or need capital preservation
- You’re nearing retirement or depending on investment income
- You’ve reached a “never fall below this” level emotionally or financially

## Who it’s for:

🛡 Risk-averse investors, retirees, or anyone prioritizing capital protection over maximum returns

# INTEGRATED ASSET ALLOCATION (IAA+)

## What it is:

A hybrid approach that considers market conditions and your personal risk tolerance and goals. It blends the best of strategic, tactical, and behavioural insights.

## When it's appropriate:

- You want a plan that evolves with both markets and your life
- You value personalization and flexibility
- You're using a financial planner, wealth platform, or advanced robo-advisor

## Who it's for:

🌐 Investors who want a “smart autopilot” — holistic, adaptive, and data-informed

✨ Ideal for high-net-worth or goal-driven investors who seek balance between art and science



FOUR

# *Expert* INSIGHTS

WSJ, MARCH 31, 2025

# What Still Counts As Safe in 2025?

MARKETS & FINANCE | INVESTING | STREETWISE

## How to Prepare Your Portfolio for the Next Market Mess

Gold, Treasuries, cash. When choosing a safe asset, it's just as important to know who else owns it as to think about its fundamental properties.



By James Mackintosh [Follow](#)

March 31, 2025 5:30 am ET



Much of the insurance provided by any investment depends on how other people react. JEENAH MOON/REUTERS

What happens if it all goes wrong? Investments designed to preserve your wealth in a [stock-market downturn](#) can help preserve your sanity too, allowing you to avoid dumping your favorite stocks as prices tumble.

But finding this market insurance has become harder, with Treasuries and perhaps even the dollar no longer offering the protection they used to. No wonder gold is up so much.

The basic problem: Much of the insurance provided by any investment depends on how other people react. A secondary issue that's particularly important for Treasuries is the new era of inflation sensitivity.

### takeaway?

A mix of cash, quality bonds, real assets, and global diversification is far stronger than any single 'safe' bet.

**1) Treasuries aren't necessarily "free insurance."** They still offer reasonable yields (around 4.3 % on 10-year notes) and will likely perform in panics—but not as reliably or as generously as before. Inflation fears can push both stock and bond prices down, eroding diversification benefits.

**2) Gold has surged, but could very well falter in a panic.** Gold prices have risen 50 % in a year, driven by central-bank buying and inflation hedging. Yet in true financial crises (like 2008), gold can fall sharply as investors sell to raise cash.

**3) Ownership Crowds Matter.** When choosing a safe asset, it's just as important to know who else owns it. If everyone rushes for the same safety play, it stops being safe.

LSE, NOV 2025

*Diversify Smarter. Add  
Real Assets. Stay Liquid.  
Use tech.*

LSEG

DATA & ANALYTICS INSIGHTS

## The future of asset allocation: Navigating a paradigm shift

November 11, 2025 🕒 6 min

### *takeaway?*

The investors who  
thrive won't be the  
best forecasters  
they'll be the most  
adaptive.

**1) Think Country by Country — Not Just “Global”** Global diversification still matters, but the world isn't moving in sync anymore. Instead of broad “international” funds, consider adding exposure to specific countries or regions with different strengths (e.g., U.S. tech, India growth, European green energy).

**2) Redefine “Safety” Beyond Bonds.** The old 60/40 formula doesn't always protect you when inflation rises. Add small slices of real assets (like REITs, gold, commodities ETFs, or TIPS) and hold cash for liquidity.

**3) Add a Dash of Innovation Carefully.** Digital assets, private credit, and infrastructure are becoming part of the mainstream conversation.

**4) Build for Adaptability, Not Perfection.** Instead of asking “What's the perfect allocation?” ask “Does my mix still fit my life today?”

WSJ, 2016

# Measure Your Need for Risk, Not Just Your Willingness

WEALTH MANAGEMENT

## How to Set Your Asset Allocation

Forget the risk-tolerance questionnaires. Explore your need for returns and dig into your psyche

By Allan S. Roth

Dec. 2, 2016 10:13 am ET



If you think deep-down that a stock-market plunge would lead to a reaction similar to this trader's during the August 2011 selloff, then perhaps your risk tolerance isn't as robust as you might imagine.

JUSTIN LANE/EUROPEAN PRESSPHOTO AGENCY

### *takeaway?*

base your asset allocation on your goals, behaviour, and resilience.

**1) Risk Tolerance Questionnaires Are Misleading.** People's stated risk tolerance is unstable because it rises when markets are booming and collapses when markets fall.

**2) Measure Your Need for Risk, Not Just Your Willingness.** Risk shouldn't be taken just because you can handle it emotionally — it should be taken because you need it to reach your goals.

**3) Examine Your Past Behaviour.** Investors often say they "stayed the course" in crises, but tax records show otherwise: they sold at a loss.



FIVE

*Asset Allocation for  
Real Women With*  
REAL LIVES

MAYA, 28 YEARS OLD

# YOUNG WITH DECADES AHEAD

At 28, Maya is early in her career, finally earning enough to save. She knows time is her biggest advantage. Every dollar invested today could double or triple by the time she's 60. She's not touching this money for decades, so volatility is her friend.

Her focus is on **growth**. She builds a portfolio that's about 85–90% equities (a mix of global index funds and some exposure to emerging markets.) She adds a small “satellite” allocation: REITs for diversification, gold for inflation protection, and a touch of crypto (2–3%) as a learning opportunity.

For Maya, the lesson is simple: **time beats timing**.

By staying consistent and resisting the urge to overthink every market move, she's building the foundation of long-term wealth. **DISCIPLINE**.



SOFIA, 42 YEARS OLD

# THE INDEPENDENT WOMAN

At 42, Sofia is single, financially independent, and proud of it. Her biggest goal isn't to "beat the market", it's to create security without sacrificing growth. She earns well and saves consistently, but she also knows she's her own safety net.

Her allocation is balanced (about 70% equities, 20% bonds, and 10% spread between cash and real assets like gold or REITs).

This blend gives her confidence that she can grow her wealth while still sleeping soundly when markets turn volatile.

For Sofia, investing is about **self-trust**. Her portfolio mirrors her values. She is strong, steady, and independent. She's not waiting for someone to take care of her finances; she's designing a structure that does that for her.



LILA, 56 YEARS OLD

# THE LATE BLOOMER

At 56, Lila jokes that she's "late to the party", but she's investing now, and that's what matters. Her goals are different: she wants her money to work hard but stay safe. Retirement is 10–12 years away, and she can't afford large drawdowns.

Her mix tilts toward stability: 50% equities for moderate growth, 35% bonds for income and protection, and 10–15% in real assets (like real estate and commodities) to guard against inflation.

She keeps 5–10% in cash to handle short-term needs without panic-selling.

For Lila, the focus isn't on making up lost time, but on preserving and progressing. She learns that it's never too late to build confidence and that her best asset now is clarity, not speed.



PRIYA, 38 YEARS OLD

# THE MULTI-GOAL MOTHER

At 38, Priya is balancing a career, motherhood, and three competing goals: college savings, a home upgrade, and her own retirement. Instead of one big portfolio, she organizes her money into buckets based on time horizon.

Her short-term bucket (for near-term goals) is mostly cash and bonds; her mid-term bucket mixes 60% equities with 40% bonds; and her long-term retirement bucket leans 80% equities and 20% bonds. Each serves a different purpose; growth, balance, or safety.

For Priya, she knows exactly which money is for what goal, and that's what helps her stay invested when life (and markets) get noisy.





# HOW TO ACTUALLY BUILD YOUR ALLOCATION

01

**Choose Your Core:** the simple, long-term mix that drives most of your performance. It's what you set once and then rebalance occasionally

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02

**Add Satellites.** Once your core is set, you can add small 'satellite' investments. These are where you personalize your portfolio, express your beliefs, or hedge specific risks.

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03

**Choose Your Tools.** Vanguard or Wealthsimple as a platform. Choose ready-made ETF blends or target date funds.

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