



## Are Conventional "Conservative" Portfolios Risky for Retirees?

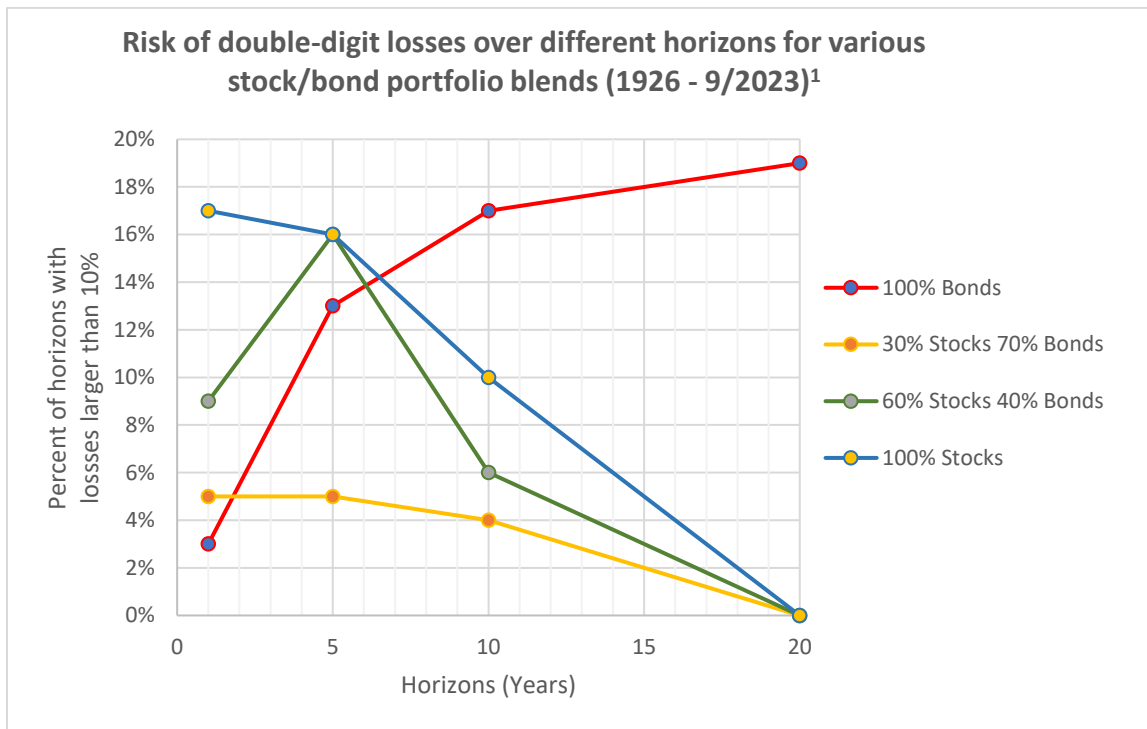
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If you're retiring in your sixties, you've likely downshifted to a more bond-heavy, less stock-heavy portfolio. But does this traditional approach truly minimize risk and ensure financial security? A closer look at historical data reveals some surprising trends:

Following conventional planning guidance, over time, you have shifted your allocation from a 75/25 stock/bond portfolio in your 40s, to a 60/40 portfolio in your 50s, and now you're considering a 40/60 allocation and even contemplating an all-bond portfolio down the road.

But the historical data does not bless this approach.



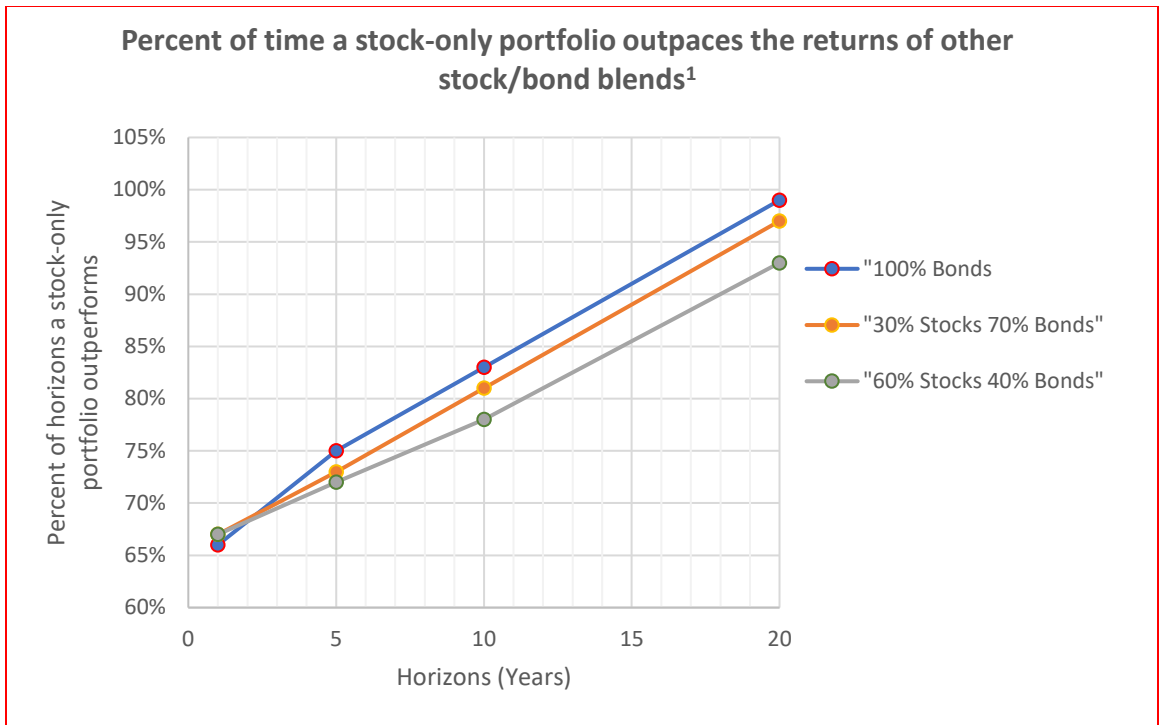
In terms of risk, an all-bond portfolio, often seen as the safest option, becomes more susceptible to large losses over a 20-year horizon, with a peak in the 20th year.

In contrast, stock/bond blends may face more significant losses initially but become less risky later on, converging towards zero risk for sustaining double-digit losses close to the 20<sup>th</sup> year.

And in terms of returns, all-stock portfolios have historically outperformed stock/bond blends over 20-year horizons.

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This evidence challenges traditional allocation practices and directly contradict the age-based glide-path mechanism that governs Target-Date funds.

Many approaches disregard this evidence. Few make it their governing principle. We disagree with both.

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<sup>1</sup> Source: Morningstar; YCharts; author calculations. Stocks proxied by the S&P 500 and Bonds by the 10-yr. intermediate-term US gov't Treasuries; inspired by John Rekenhaller's post <https://www.morningstar.com/stocks/how-time-horizon-affects-odds-equity-investing>

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