

The 7Twelve® Portfolio: An Introduction

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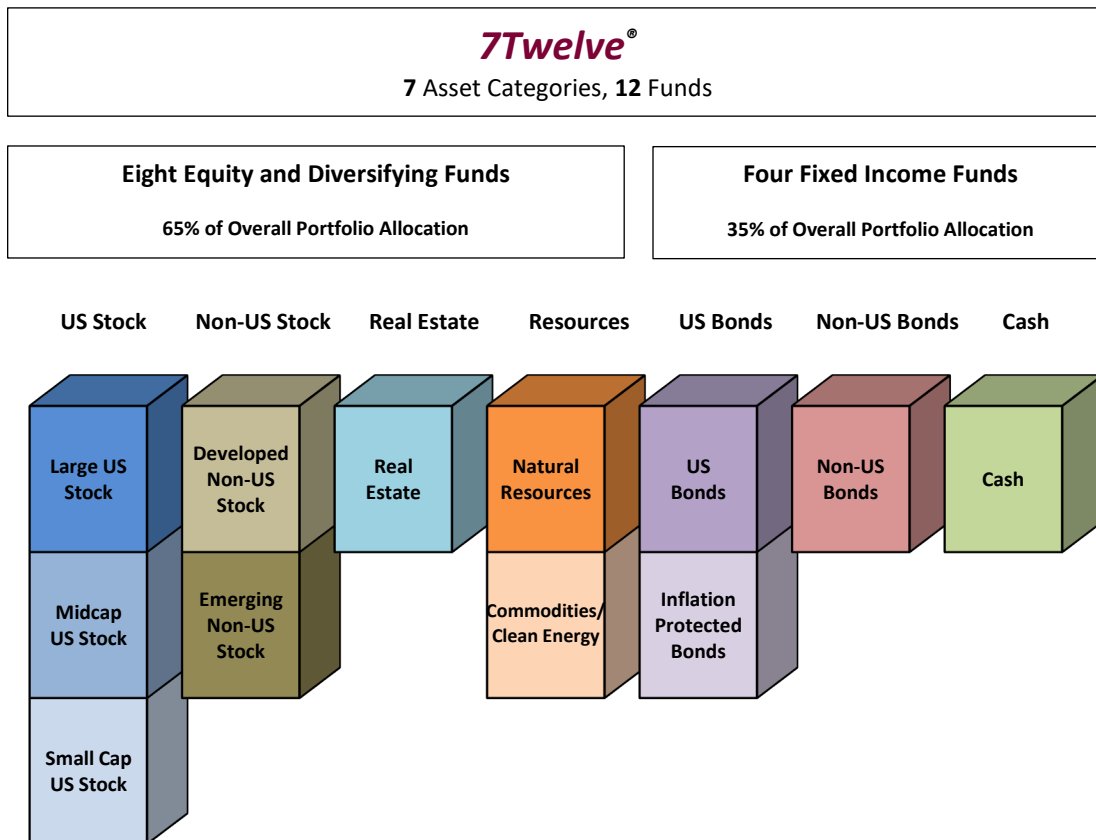
This brief report introduces a multi-asset portfolio design that brings a higher standard to the notion of “diversified”. This design is referred to as the **7Twelve** portfolio.

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



The performance of various 7Twelve models over the past 26 years is shown below in Table 1. Vanguard Balanced Index with a 60/40 allocation and Vanguard STAR fund are listed for comparison.

Table 1. 26-Year Performance of various 7Twelve models vs. 7Twelve Index & Comparison Funds
(as of 12/31/2023)

Annual Total % Return by Calendar 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	Vanguard Balanced Index (VBIAX)	Vanguard STAR (VGSTX)
1998	1.56	0.39	1.54	1.15	3.06	(5.51)	2.20	17.85	12.38
1999	16.84	16.63	16.82	15.33	15.23	23.82	16.60	13.61	7.13
2000	5.42	11.21	5.42	8.54	4.48	7.89	2.96	(2.03)	10.96
2001	(2.09)	2.98	(1.94)	(0.52)	0.06	(0.13)	(0.16)	(2.98)	0.50
2002	(0.56)	2.18	(0.64)	(0.11)	(2.25)	(0.04)	0.76	(9.45)	(9.87)
2003	27.10	28.82	26.95	26.56	28.04	27.24	27.71	20.02	22.70
2004	17.96	19.79	17.80	19.06	17.38	18.27	17.00	9.37	11.60
2005	12.49	12.91	12.34	12.52	10.78	16.87	9.77	4.79	7.44
2006	15.26	15.98	14.96	15.47	16.20	15.66	15.50	11.06	11.65
2007	12.32	13.78	11.58	11.52	11.16	13.40	10.41	6.31	6.58
2008	(25.49)	(28.14)	(25.16)	(25.26)	(26.71)	(30.84)	(25.89)	(22.12)	(25.10)
2009	25.64	32.36	25.64	24.54	28.62	30.84	29.35	20.11	24.85
2010	14.41	14.52	14.41	14.22	15.59	15.19	14.23	13.29	11.70
2011	(0.77)	(6.31)	(1.00)	(0.22)	(0.84)	(3.16)	(2.29)	4.29	0.77
2012	10.77	12.42	10.64	10.49	11.94	12.96	11.97	11.49	13.79
2013	10.46	11.33	9.65	8.14	12.69	11.72	11.08	18.10	17.80
2014	1.49	0.05	2.50	5.59	5.81	3.54	3.42	9.99	7.35
2015	(6.06)	(6.96)	(5.07)	(5.07)	(4.48)	(4.83)	(3.90)	0.51	(0.15)
2016	11.51	9.19	10.14	12.76	11.04	11.06	8.96	8.77	6.55
2017	11.99	13.67	11.97	11.39	11.84	12.87	12.57	13.89	18.33
2018	(7.54)	(7.64)	(5.89)	(9.25)	(7.69)	(8.41)	(6.71)	(2.86)	(5.35)
2019	16.57	16.16	15.89	17.31	17.04	17.52	15.94	21.80	22.20
2020	5.27	13.82	5.78	5.14	3.63	9.65	7.88	16.40	21.43
2021	16.85	5.28	6.48	8.56	7.75	16.68	10.12	14.23	9.68
2022	(7.71)	(18.60)	(14.02)	(11.43)	(12.52)	(15.59)	(16.10)	(16.90)	(17.99)
2023	9.26	11.86	8.10	10.77	8.99	13.88	9.46	17.58	17.11
3-Year Annualized Return¹	5.62	-1.40	-0.35	2.12	0.90	3.90	0.37	3.73	1.75
5-Year Annualized Return¹	7.65	4.85	3.94	5.61	4.50	7.64	4.81	9.61	9.34
10-Year Annualized Return¹	4.76	3.06	3.20	4.14	3.74	5.04	3.70	7.73	7.18
15-Year Annualized Return¹	7.05	6.02	5.91	6.43	6.81	7.63	6.53	9.56	9.24
20-Year Annualized Return¹	6.55	5.79	5.66	6.12	6.16	6.87	5.88	7.37	7.21
25-Year Annualized Return¹	6.99	6.99	6.27	6.79	6.64	7.71	6.51	6.53	6.91
26-Year (Lifetime) Return¹	6.78	6.73	6.09	6.57	6.50	7.17	6.34	6.95	7.12
25-Yr Growth of \$10,000	54,202	54,193	45,778	51,677	49,832	64,062	48,354	48,641	53,191
25-Year Standard Deviation of Annual Returns (%)	11.72	13.56	11.68	11.59	12.17	13.70	12.19	11.44	12.41
Annual % Expense Ratio in January 2024	----	0.55	0.34	0.17	0.09	0.44	0.11	0.07	0.31

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.

7Twelve[®] Portfolio

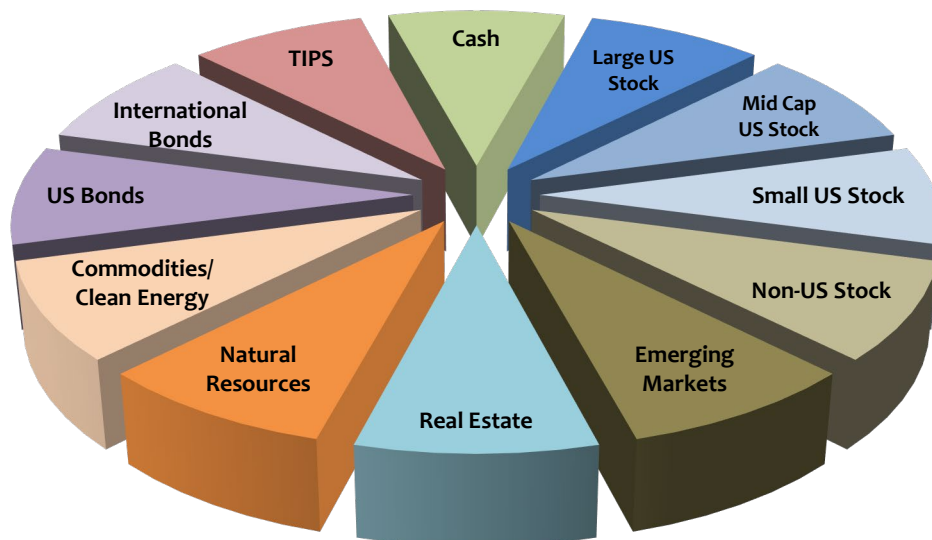


Table 2. Portfolio Allocations for the *7Twelve* Core Model and Age Based Models

<i>7Twelve</i> Model →	<i>7Twelve</i> Core Model	<i>7Twelve</i> Age-Based 50-60	<i>7Twelve</i> Age-Based 60-70	<i>7Twelve</i> Age-Based 70+
<i>7Twelve</i> Asset Category	<i>7Twelve</i> 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, 2023 of a retirement account with a starting balance of \$250,000 on January 1, 1999. 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 three comparison Vanguard funds did not.

Retirement Portfolio Survival

Starting balance of **\$250,000** on January 1, 1999
Total withdrawal of **\$455,741** over 25 years

Various 7Twelve Models	7Twelve Core Model	7Twelve Age-Based 50-60	7Twelve Age-Based 60-70	7Twelve Age-Based 70 Plus
	67% Equity 33% Bonds/Cash	53% Equity 47% Bonds/Cash	40% Equity 60% Bonds/Cash	27% Equity 73% Bonds/Cash
Ending Account Balances After 25 Years of Withdrawals on Dec 31, 2023				
Active 7Twelve	\$524,786	\$340,082	\$182,169	\$52,076
Passive ETF 7Twelve	339,376	212,565	102,205	8,817
Vanguard Mutual Fund 7Twelve	423,018	264,164	130,806	22,048
Vanguard ETF 7Twelve	379,399	238,255	116,881	15,711
Fidelity 7Twelve	627,766	395,980	206,664	58,543
Schwab 7Twelve	361,504	225,765	108,802	11,157
Vanguard Balanced Index	\$96,706			
Vanguard STAR	\$239,686			
Vanguard 500 Index	\$0 (account was depleted in 2020 after 22 years)			

**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.**

Craig L. Israelsen, Ph.D. is the developer of the 7Twelve® Portfolio. He teaches in the Personal Financial Planning program at Utah Valley University. He has previously taught at Brigham Young University and the University of Missouri-Columbia. He can be reached at craig@7TwelvePortfolio.com

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