



INVESTMENT STRATEGY NOTE

# 60/40 Isn't What It Used to Be



JANUARY 2025



# 60/40 Isn't What It Used To Be

The 60/40 portfolio isn't working like it used to and its performance is lacking compared to consumer price indices and home prices. COVID and higher interest rates changed a lot of things. I urge you to ask us about our strategies and how we use active management to rebalance them in a tax-efficient way. Even if you don't want to hear about our strategies, ask us how to implement the strategies you like in a more efficient way.

## Indulge me – Here is a hypothetical

This is a 60/40 product – a 60% Equity and 40% Credit Portfolio.

If you bought BIGPX at the beginning of 2020, you paid \$13.61/share. On 12/31/2024, the price was \$15.05/share. The price went up \$1.44 or 10.58%. Over that time, the stock also paid \$3.9184 in distributions of some kind. That's another 28.79%.

BIGPX US \$ NAV 15.38 --		On 31-Jan	
BIGPX US Equity		Export ▾	Page 1/5 Security Description
Profile	Performance	Holdings	Organizational
BLACKROCK 60/40 TARGET-INST		Objective Aggressive Allocation	
BlackRock 60/40 Target Allocation Fund seeks a balance between long term capital appreciation and high current income, with an emphasis on income based on a target equity/fixed-income allocation of 60%/40%.			
[FIGI BBG000QW8YY0]			

Not bad, you are up almost ~40% prior to taxes since the beginning of 2020. That's cool. Now, layer in investment fees....

Now, layer in taxes—you'd be subject to taxes on a majority of the gains, so you couldn't compound capital in an efficient way (unless in a tax shelter) and 18% of all gains would be taxed at short-term tax rates. I'm not a tax accountant and Poxono doesn't provide tax accounting services.

Ok, let's compare the returns now to why you are saving – retirement, new house, whatever. I assume you want to use it to buy things in the future.


Declared	Ex	Record	Payable	Dividends	
12/2/2024	12/24/2024	12/23/2024	12/26/2024	USD	0.4531 Short Term
12/2/2024	12/24/2024	12/23/2024	12/26/2024	USD	0.4491 Long Term
12/2/2024	12/24/2024	12/23/2024	12/26/2024	USD	0.4266 Income
12/21/2023	12/22/2023	12/21/2023	12/26/2023	USD	0.0985 Long Term
12/21/2023	12/22/2023	12/21/2023	12/26/2023	USD	0.3455 Income
12/1/2022	12/23/2022	12/22/2022	12/27/2022	USD	0.3386 Income
12/1/2021	12/31/2021	12/30/2021	1/3/2022	USD	0.2687 Short Term
12/1/2021	12/31/2021	12/30/2021	1/3/2022	USD	0.5800 Long Term
12/1/2021	12/31/2021	12/30/2021	1/3/2022	USD	0.3591 Income
12/1/2020	12/31/2020	12/30/2020	1/4/2021	USD	0.2455 Short Term
12/1/2020	12/31/2020	12/30/2020	1/4/2021	USD	0.1438 Long Term
12/1/2020	12/31/2020	12/30/2020	1/4/2021	USD	0.2099 Income

3.9184 / share

Income	1.6797	42.87%
Short Term	0.9673	24.69%
Long Term	1.2714	32.45%

**Table 1** The above table is the distributions for BIGPX US Equity from 1/1/2020 to 12/31/2024. Source Bloomberg

The US Consumer Price Index produced by the Bureau of Labor Statistics measures the cost of living (commonly referred to as CPI).

CPURNSA	315.605	For Dec	Next Release 12 Feb 08:30	Survey --
US CPI Urban Consumers NSA		Bureau of Labor Statistics		
CPURNSA Index	97 Alert		Economic Release Details	
1) Security Description   DES »				
Release Name	US CPI Urban Consumers NSA »			
Country/Region	 United States »	Source	Bureau of Labor Statistics »	
1) Release Time	01/15/2025 08:30	For Dec		
12) Survey	315.616	Actual	315.605	Prior 315.493 Revised --

At the beginning of 2020, the CPI index was 256.974. The index was 315.605 on 12/31/2024. Consumer prices were up 22.85%. I know this isn't news.

What if you compare it to home prices? Well, houses, according to the Case-Shiller 20 City Index, are up 52%!

SPCS20	332.59	As of 11/30/24	Resale Index
S&P CoreLogic Case-Shiller 20-City Comp...		S&P/Case-Shiller	
SPCS20 Index	Export	Settings	Historical Price with % Chg
S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Ind...High			
Range	12/29/2000 - 12/31/2024	Period Yearly	Low 111.58 on 12/29/00
Fields	Last Price	Price Change 1	Currency Average 193.17 4.99
View	Price with % Chg	Net Chg	221.01 198.07%
Date	Last Price	Net Change	% Change
Tu 12/31/24	332.59	+14.64	+4.60%
Fr 12/29/23	317.95	+18.92	+6.33%
Fr 12/30/22	299.03	+13.60	+4.76%
Fr 12/31/21	285.43	+44.49	+18.47%
Th 12/31/20	240.94	+22.26	+10.18%
Tu 12/31/19	218.68	+6.01	+2.83%

After you layer in taxes and investment fees on your ~40% gains, how much did you really save for retirement or your future goals if the proxy for cost of living was up 22+% or houses were up 52%?

Don't even get me started on the inefficiency of the BIGPX example. If you purchased the S&P 500 Total Return Index at 60% weight and purchased the BBG US Corporate High Yield Index at 40% weight at the beginning of 2020, your return is 52+% gross of taxes and investment fees. There are always transaction costs and other factors that cause friction, but a product is supposed to provide roughly the same return as its relevant indices, and BIGPX returned ~10% less over ~5 years. I would love to tell you more about my experiences on Wall Street and why I think some of the returns were eroded.

I urge you to ask us about our strategies and how we use active management to rebalance them in a tax-efficient way.

Even if you don't want to hear about our strategies, ask us how we can create a portfolio to implement the strategies you like with the least amount of friction.

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