2 Funds For Life Fine Tuning Table

The following is a table Chris Pedersen (author of 2 funds for life) has produced to show the combination of a target date fund with different percentages of small cap value.

2 Funds for Life, Fixed Allocation, Lump Sum, Annually Rebalanced, Fine-Tuning Table								
Target Date Fund Years to Retirement:		**25 (Or More)** e.g., 2050 TDF	**20** e.g., 2045 TDF	**15** e.g., 2040 TDF	**10** e.g., 2035 TDF	**5** e.g., 2030 TDF	**0** e.g., 2025 TDF	**-7 (Or Less)** e.g., 2015 TDF
Simplified TDF Allocations	**TDF Total US Stock Allocation**	**54%**	**49.5%**	**45%**	**40.5%**	**36%**	**30%**	**18%**
	TDF International LCB Stock Allocation	**36%**	**33%**	**30%**	**27%**	**24%**	**20%**	**12%**
	TDF Int.-Term Gov't Bonds Allocation	**10%**	**17.5%**	**25%**	**32.5%**	**40%**	**50%**	**70%**
0% US SCV, 100% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	9.8% / 1.1%	9.6% / 1.8%	9.4% / 2.4%	9.2% / 3.0%	9.0% / 3.5%	8.7% / 4.2%	8.0% / 3.4%
	Annualized CAGR SD (Volatility)	13.4%	12.4%	11.3%	10.3%	9.3%	8.1%	6.0%
	Worst Drawdown (Peak to Valley)	-48%	-44%	-40%	-36%	-31%	-25%	-17%
	30-Year Safe Withdrawal Rate	4.2%	4.4%	4.5%	4.3%	4.2%	4.0%	3.5%
10% US SCV, 90% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	10.3% / 1.9%	10.2% / 2.5%	10.0% / 3.0%	9.8% / 3.6%	9.6% / 4.0%	9.4% / 4.6%	8.7% / 4.2%
	Annualized CAGR SD (Volatility)	13.8%	12.8%	11.9%	11.0%	10.1%	8.9%	6.8%
	Worst Drawdown (Peak to Valley)	-49%	-45%	-42%	-38%	-34%	-29%	-17%
	30-Year Safe Withdrawal Rate	4.2%	4.4%	4.6%	4.6%	4.6%	4.5%	4.1%
20% US SCV, 80% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	10.8% / 2.6%	10.7% / 3.1%	10.5% / 3.6%	10.4% / 4.1%	10.2% / 4.5%	10.0% / 5.1%	9.4% / 4.9%
	Annualized CAGR SD (Volatility)	14.3%	13.4%	12.6%	11.8%	10.9%	9.9%	7.9%
	Worst Drawdown (Peak to Valley)	-50%	-47%	-44%	-41%	-37%	-32%	-22%
	30-Year Safe Withdrawal Rate	4.1%	4.3%	4.5%	4.7%	4.7%	4.8%	4.6%
30% US SCV, 70% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	11.2% / 3.2%	11.1% / 3.7%	11.0% / 4.2%	10.9% / 4.6%	10.8% / 5.0%	10.6% / 5.5%	10.1% / 5.6%
	Annualized CAGR SD (Volatility)	14.8%	14.1%	13.4%	12.6%	11.9%	11.0%	9.3%
	Worst Drawdown (Peak to Valley)	-51%	-48%	-46%	-43%	-40%	-36%	-27%
	30-Year Safe Withdrawal Rate	4.0%	4.2%	4.3%	4.5%	4.7%	4.8%	4.8%
40% US SCV, 60% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	11.7% / 3.9%	11.6% / 4.3%	11.5% / 4.7%	11.4% / 5.1%	11.3% / 5.4%	11.1% / 5.8%	10.8% / 6.2%
	Annualized CAGR SD (Volatility)	15.5%	14.9%	14.2%	13.6%	13.0%	12.2%	10.7%
	Worst Drawdown (Peak to Valley)	-52%	-50%	-48%	-46%	-44%	-40%	-33%
	30-Year Safe Withdrawal Rate	3.8%	4.0%	4.1%	4.3%	4.4%	4.6%	4.9%
50% US SCV, 50% TDF	**Nominal CAGR / Worst 10-Yr. CAGR**	12.1% / 4.5%	12.0% / 4.9%	12.0% / 5.2%	11.9% / 5.5%	11.8% / 5.8%	11.7% / 6.2%	11.4% / 6.4%
	Annualized CAGR SD (Volatility)	16.2%	15.7%	15.2%	14.7%	14.2%	13.5%	12.3%
	Worst Drawdown (Peak to Valley)	-54%	-52%	-51%	-49%	-47%	-44%	-39%
	30-Year Safe Withdrawal Rate	3.6%	3.7%	3.9%	4.0%	4.1%	4.3%	4.7%
100% US SCV	**Nominal CAGR / Worst-10Yr CAGR: 13.9% / 4.2% (-9.8% in 1928)**			**Annualized CAGR SD: 20.6%**		**Worst Drawdown: -61%**		**30-Year SWR: 2.5%**

Sources & Assumptions: Assumes fixed asset class allocations, lumpsum investment, w/ annual rebalancing, for January 1970 through December 2022 returns. Safe withdrawal rates calculated with 1928-2022 annual returns. US Stock allocation modeled with US total market returns. International stock allocation modeled with International Large Cap blend. Bond allocation modeled with US Intermediate-term Government bonds.

- **Young investors who contribute regularly will likely see lower drawdowns while contributions are large relative to account balance.**
- **Investors who rebalance less frequently will likely see higher returns and higher drawdowns.**
- **Real returns (adjusted for inflation) were about 3-4% less than the nominal returns shown.**
- **Past performance doesn't guarantee future returns. Drawdowns from 1928-1970 were worse by an additional 10% to more than 30%.**

2 Funds for Life, Fixed Allocation, Lump Sum, Annually Rebalanced, Fine-Tuning Table – ASSET ALLOCATIONS								
Target Date Fund Years to Retirement:		**25 (Or More)** e.g., 2050 TDF	**20** e.g., 2045 TDF	**15** e.g., 2040 TDF	**10** e.g., 2035 TDF	**5** e.g., 2030 TDF	**0** e.g., 2025 TDF	**-7 (Or Less)** e.g., 2015 TDF
Simplified TDF Allocations	**TDF Total US Stock Allocation**	**54%**	**49.5%**	**45%**	**40.5%**	**36%**	**30%**	**18%**
	TDF International LCB Stock Allocation	**36%**	**33%**	**30%**	**27%**	**24%**	**20%**	**12%**
	TDF Int.-Term Gov't Bonds Allocation	**10%**	**17.5%**	**25%**	**32.5%**	**40%**	**50%**	**70%**
0% US SCV, 100% TDF	**Total US Stock Allocation**	54%	49.5%	45%	40.5%	36%	30%	18%
	International LCB Stock Allocation	36%	33%	30%	27%	24%	20%	12%
	Int.-Term Gov't Bonds Allocation	10%	17.5%	25%	32.5%	40%	50%	70%
	US Small-Cap Value	--	--	--	--	--	--	--
10% US SCV, 90% TDF	**Total US Stock Allocation**	48.6%	44.6%	50%	36.5%	40%	27%	16.2%
	International LCB Stock Allocation	32.4%	29.7%	27%	24.3%	21.6%	18%	10.8%
	Int.-Term Gov't Bonds Allocation	9%	15.8%	22.5%	29.3%	36%	45%	63%
	US Small-Cap Value	10%	10%	10%	10%	10%	10%	10%
20% US SCV, 80% TDF	**Total US Stock Allocation**	43.2%	39.6%	36%	32.4%	28.8%	24%	14.4%
	International LCB Stock Allocation	28.8%	26.4%	24%	21.6%	19.2%	16%	9.6%
	Int.-Term Gov't Bonds Allocation	8%	14%	20%	26%	32%	40%	56%
	US Small-Cap Value	20%	20%	20%	20%	20%	20%	20%
30% US SCV, 70% TDF	**Total US Stock Allocation**	37.8%	34.7%	31.5%	28.4%	25.2%	21%	12.6%
	International LCB Stock Allocation	25.2%	23.1%	21%	18.9%	16.8%	14%	8.4%
	Int.-Term Gov't Bonds Allocation	7%	12.3%	17.5%	22.8%	28%	35%	49%
	US Small-Cap Value	30%	30%	30%	30%	30%	30%	30%
40% US SCV, 60% TDF	**Total US Stock Allocation**	32.4%	29.7%	27%	24.3%	21.6%	18%	10.8%
	International LCB Stock Allocation	21.6%	19.8%	18%	16.2%	14.4%	12%	7.2%
	Int.-Term Gov't Bonds Allocation	6%	10.5%	15%	19.5%	24%	30%	42%
	US Small-Cap Value	40%	40%	40%	40%	40%	40%	40%
50% US SCV, 50% TDF	**Total US Stock Allocation**	27%	24.8%	22.5%	20.3%	18%	15%	9%
	International LCB Stock Allocation	18%	16.5%	15%	13.5%	12%	10%	6%
	Int.-Term Gov't Bonds Allocation	5%	8.8%	12.5%	16.3%	20%	25%	35%
	US Small-Cap Value	50%	50%	50%	50%	50%	50%	50%
100% US SCV	**Nominal CAGR / Worst-10Yr CAGR: 13.9% / 4.2% (-9.8% in 1928)**			**Annualized CAGR SD: 20.6%**		**Worst Drawdown: -61%**	**30-Year SWR: 2.5%**	

Sources & Assumptions: Assumes fixed asset class allocations, lumpsum investment, w/ annual rebalancing, for January 1970 through December 2022 returns. Safe withdrawal rates calculated with 1928-2022 annual returns. US Stock allocation modeled with US total market returns. International stock allocation modeled with International Large Cap blend. Bond allocation modeled with US Intermediate-term Government bonds.

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