

The Last Fork in the Road

Automating Your Portfolio with M1 Finance and Fidelity Baskets

I want to welcome everybody to what may — or may not — be the final boot camp in this series. I'm honestly not sure. We might still do one on what we can do for our children and grandchildren. But before we go any further, I have to thank Daryl Bahls and Chris Pedersen for all the work they've done pulling together the tables, the graphs, and the charts that help all of us understand these huge decision points.

And that's really what every boot camp has been about: decision points. Forks in the road.

We chose stocks versus bonds. We chose certain equity asset classes. We decided how much fixed income to hold alongside those equity asset classes. We worked out how to handle our contributions on the way up and our withdrawals on the way down. Every one of those was a fork in the road, and every one of them required a choice.

The choice we want to talk about today is automation.

Why automation MAY matter more than you think

There's no question that almost everything we've discussed in this series ultimately depends on automation. Running a mutual fund — whether it's actively managed or an index fund — is a question of automation and how that money is being cared for on a daily basis. But the question gets more personal when it comes to actually building the portfolio, maintaining it, and doing all the things that should be done to tend the garden.

To pull the weeds. To get rid of the things that shouldn't be there.

How much of the process you choose to automate may be one of the most important decisions you make. Remember the goal here. The experts tell us that the way to get all we can out of our investments is to learn to stay the course — to keep our hands off. As Daryl reminds us, “the more we touch the bar of soap, the smaller the bar gets.”

So, the real question of this discussion is simple: what steps can we take to fully automate the process, so we stop touching the soap?

We've talked about this before with M1 Finance. Today I want to bring M1 back into the conversation and then introduce a competitor that does things a little differently — Fidelity's Basket Portfolios.

What you need to know about M1 Finance

M1 Finance was built with the buy-and-hold investor in mind. It was designed to be a tool that lets you contribute money regularly — often in an automated way — and have that money flow into a portfolio allocation you've chosen, rebalance occasionally back to that allocation, and take any cash that lands in the account and put it to work. The whole idea is that you really don't have to look at it at all.

To make that work, M1 had to do several things that were innovative at the time and are more widely available today. It needed to handle fractional shares. It needed to handle fractional shares of ETFs specifically. And it needed to support a wide range of assets.

We're fortunate that M1 gives investors access to all of the DFA and Avantis ETFs we recommend. That's a real advantage.

At M1 you create what they call a “pie.” You can build a collection of pies. Several years ago we realized we could pre-configure our portfolios so it would be easy for someone to use them at M1. This year, with the update to the Best-in-Class ETF recommendations, we refreshed those portfolios. There's an all-DFA Ultimate Buy and Hold, an all-DFA All Value portfolio, an all-DFA 70/30 Worldwide Ultimate Buy and Hold — and the same lineup for Avantis. There is also a fixed income pie.

So you can go to M1, add the DFA OR AVANTIS Ultimate Buy and Hold equity pie and the fixed income pie, set them to 70% and 30%, and let it run. When you make a contribution, M1 looks at which holding is underrepresented and uses your new money to do on-the-fly rebalancing. If contributions haven't been enough to bring things back into line, you can rebalance the whole account with a single button.

It is incredibly simple and incredibly easy. (you can even split the 70% between the DFA and Avantis pies.)

Full disclosure: the foundation receives a very small one-time financial benefit when someone uses our [affiliate link](#) to sign up with M1. To be precise about it — because we are not in the investment advice business — if you put \$1,000 or \$100,000 or a million dollars into an M1 account, the foundation receives a one-time payment of roughly \$25 to \$50. It has nothing to do with which portfolio you choose. We do not get compensated for people using our portfolios, and that distinction matters for legal reasons.

The Merriman pies — and an important limitation

The list of pre-configured Merriman portfolios is long. In essence there are eight or nine of them, in both the 50/50 US-international and 70/30 US-international configurations. They closely follow Daryl's tables and the Chris' portfolio configurator.

These portfolios include the Ultimate Buy and Hold, the Worldwide Four-Fund, the US Four-Fund, the All Value, and the All Small Cap Value. They also include — in five-year increments — the Merriman Aggressive Target Date glide path. That glide path starts heavily tilted toward small cap value and gradually shifts toward an Ultimate Buy and Hold while adding bonds in retirement.

If you want to follow that glide path, you can grab those pies and use them as-is or modify them. If you only want to follow the glide path's bond schedule but not the early small cap value tilt, you can grab an Ultimate Buy and Hold pie and a fixed income pie and simply adjust the percentages over time.

That's the beauty of it. Every several years you go in and change the percentage in fixed income versus equities. You don't do the math on large cap blend, small cap value, large cap value, emerging markets, or REITs. M1 does that for you. You just decide “At this point in my life I'd like to shift 5% into fixed income,” and it handles the rest.

Chris mentions AN important limitation. When you grab a pie and use it in your account, there is no permanent link back to the source pie. If we update a Merriman recommendation on the website, you'll see the change on the website — but you will not see it in your investment account.

Think of it like grabbing a recipe off the web and copying it into your cookbook. You can make that recipe as many times as you like, but if the author updates the recipe online, your handwritten copy doesn't change.

Way back when we used Motifs, those Portfolios did carry that live link from author to investor. M1's structure doesn't allow it. And honestly, as Daryl pointed out, you may not want it to. A live link that automatically changes someone's account starts to look an awful lot like managing someone else's money — and it could trigger a tax problem for the investor. So while you might wish for that feature, on reflection it's probably better that it doesn't exist.

Fidelity Basket Portfolios — the alternative

For some investors, the concern with M1 is size. It hasn't been around as long as Vanguard, Schwab, or Fidelity, and you may not feel comfortable moving your life savings to a younger company.

If you have a concern regarding M1's financial stability, check out [fidelity's basket portfolios](#).

The big difference is a small fee to maintain the account. Fidelity charges a flat \$4.99 per month to hold a basket portfolio account, regardless of account size. You could trade every single day and still pay only \$4.99 a month. On a \$10 million account, that means you're managing the whole portfolio for roughly \$60 a year — which is an amazing demonstration of what automation can do.

Both fidelity and M1 allow fractional-share transactions. At fidelity, virtually all ETFs and common stocks, are available only a handful of investments and account types don't qualify.

Functionally, Fidelity does the same things M1 does. One-button rebalancing. The choice of whether new money is spread across holdings to bring the portfolio back to target percentages or simply invested in your original allocation. And the ability to be tax-efficient if you choose.

There are 15 pages of questions and answers in Fidelity's Basket Portfolios FAQ, and I'd encourage anyone considering Fidelity to read all of them. M1's FAQ is also very well done and worth reading.

One thing the Fidelity FAQ does not address is a money market option. If you want to step out of an equity or long-term bond position and move to cash, what users do is buy an ETF holding short-term government paper. A popular choice is TFLO, which holds short-term Treasury bills.

Three more reasons Fidelity may fit you

Beyond the fee structure, a few other Fidelity advantages are worth weighing.

First, a lot of people are already there. If you already have a retirement account with Fidelity, moving to a Basket Portfolio is far less of a jump than opening an account somewhere new.

Second, Fidelity offers a deep set of research and analysis tools that M1 does not. It's a complete offering. If you're already there, or you want that wider range of capabilities, that matters.

Third — and this one is a plus and a minus at the same time — trading windows. At, you get one or two trading windows per day. M1 batches all its trading and executes it at once, which minimizes investor decision making. The downside is you give up control over the time of day

your trade happens. But the times M1 chooses are considered in the best interest of the average investor.

Fidelity gives you control over the timing of your trades. That sounds like an advantage, but it puts the burden on you to pick a good time and, more importantly, to overcome your emotions. It is an important consideration. The timing of trades is an important consideration and for complete novices the M1 portfolio may be a better choice.

Account minimums and how they're counted

There's one more practical difference worth knowing, and it has to do with how each firm treats multiple accounts.

At Fidelity, the \$4.99 monthly fee applies to each Basket Portfolio account. You don't get to bundle accounts together.

At M1, the picture is different. M1 charges a \$3 monthly Ira fee if you have less than \$10,000 in total funds at M1. Check out their page on fees for finer details:

<https://help.m1.com/en/articles/9331969-how-much-does-it-cost-to-use-m1>

Here's a simple side-by-side of the cost structures:

Feature	M1 Finance	Fidelity Basket Portfolios
Monthly fee	\$3/month if under \$10,000; otherwise none	\$4.99/month, regardless of account size
How the minimum is counted	\$10,000 total can be met across multiple accounts combined	Fee applies separately to each account — no bundling
Fractional shares	Yes	Yes
One-button rebalancing	Yes	Yes
New-money allocation choices	Yes	Yes
Trading windows	1–2 batched windows per day (timing chosen for you)	You choose the timing
Money market option	Available	None — investors use a short-term Treasury ETF (e.g., TFLO)
Research tools	Limited	Extensive
Merriman pre-built pies	Yes	No — built manually

And for perspective on the size concern, here's how M1 has grown:

Date	M1 Finance assets under management
2020	About \$1 billion
January 2026	About \$12.5 billion

That's roughly a twelvefold increase in about six years. For anyone worried that M1 is too small, those numbers tell their own story. And remember brokerage accounts are protected up to certain limits. What's guaranteed is the return of your portfolio — the assets that are actually there — not the return on it. When smaller brokerages do close, they're typically folded into an existing firm without much disruption.

If you have any comments about the ease, or difficulties, you have had using M1 or the fidelity basket portfolios, please let me know. Paul@paulmerriman.com. Please put M1 or fidelity in the subject line.