

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 matters 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.

It is truly an important decision how much you choose to automate. And 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. The more we touch the 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 carries all of the DFA funds we recommend and all of the 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 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.

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 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 say, “At this point in my life I'd like to shift 5% into fixed income,” and it handles the rest.

But here is an important limitation, and Chris explained it well. 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 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. That is not what this foundation does. 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 a large sum to a younger company. That's a fair concern, and it's part of the reason I want to give a genuinely fair shake to Fidelity.

Fidelity offers something called Basket Portfolios, and I'll admit I was a little embarrassed to learn about it from one of our own followers, who emailed and said we ought to be telling people about it. It's a terrific offering.

The big difference is the fee. 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 thing 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, from what I've been told, you have access to essentially all ETFs and common stocks, and I believe ADRs and preferred stocks as well. Only a handful of account types don't qualify — you can't run a Keogh account, but hardly anyone has one of those anymore. Custodial accounts, IRAs, and other tax-deferred accounts are all allowed.

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 M1, you get one or two trading windows per day. M1 batches all its trading and executes it at once, which makes them more efficient. The downside is you give up control over the time of day your trade happens. But the times M1 chooses are ideal — not the chaotic open, not the close, but liquid mid-day windows.

Fidelity gives you control over timing. That sounds like an advantage, but it puts the burden back on you to pick a good time and, more importantly, to overcome your emotions. “Wait, the market is going up.” “Wait, the market is going down.” If you're automating your investments precisely so you don't have to fret, M1's hands-off approach may actually serve you better. It's genuinely a difference between the two — I'm just not certain it's an advantage.

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 fee if you have less than \$10,000 — but my understanding is that the \$10,000 threshold can be met across several accounts combined. So if you hold a total of \$10,000 spread among different M1 accounts, you reach the minimum and avoid the fee.

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 twelfold 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.

Mixing and matching portfolios

I asked Daryl to weigh in on an idea that doesn't get discussed much: holding two or three different portfolios at once. Imagine a younger investor putting a third of their money in the S&P 500, a third in the Worldwide All Value portfolio, and a third in the Worldwide Small Cap Value portfolio.

Daryl's answer was characteristically grounded. Mixing portfolios that are themselves built from different asset classes is, in the end, just a decision about your overall asset allocation. It's a little like a bucket strategy — Christine Benz's or anyone else's. If thinking in buckets helps you, that's fine. But all it really is, underneath, is an asset allocation.

So after you divide your money among portfolios the way that helps you sleep at night, it's instructive to go look at what your combined asset allocation actually is. When you multiply the ratios and percentages together and add them up, the result isn't always what you'd expect. The mix can mask your true tilt. Look at the final number and make sure you're still happy with it.

Chris liked the specific one-third/one-third/one-third portfolio. The S&P 500 is large cap blend — lately leaning growthy. Add large cap value and small cap value, and you've essentially included everything except small cap growth, which is the worst-performing quadrant of the entire stock market. As Chris put it, you take everything but the dog. It tilts more toward value than an Ultimate Buy and Hold, and it will underperform at times when small cap growth or blend is on a tear — but history says that's not very often.

Both Daryl and Chris also offered a “mea culpa.” In past recordings they've warned about the difficulty of managing a portfolio made of many separate asset classes — or of combining Avantis and DFA funds and ending up with 20-some funds to rebalance. With M1, that warning no longer holds. You build three sub-pies — one Avantis, one DFA, one fixed income — set the percentages, and you're done. M1 manages nearly 30 underlying investments in the background. Going halvesies on Avantis and DFA gives you a hedge if one firm is more right or more wrong than the other.

“How long do I have to wait for small cap value?”

I'm hearing from more than a handful of people lately who say, “I'm getting old, and small cap value isn't giving me what I expected.”

Daryl's answer: nobody knows when it will hit. The S&P 500 has done very well for a decade and a half. But look at the telltale chart of small cap value versus the S&P 500 — it's not often that small cap value severely underperforms. The real question is never simply “when.” It's “compared to what?” Even when small cap value isn't having one of its short, sharp upticks, it's usually not underperforming seriously. And if your financial plan stands or fails on being within 10% of your target at one moment in time, that plan was never built on solid ground. This is not an exact science.

Chris added the most important warning. The worst results go to the people who flail — who jump from pond to pond chasing performance, who go all-in on the S&P after a hot run and abandon small cap value or international entirely. That's putting all your eggs in the wrong basket from a market-timing standpoint. If you genuinely think you chose the wrong portfolio — too much tracking error, too much volatility — adjust slowly. Move gently toward the total market, or add a little fixed income. Don't flail.

Why the 10-fund strategy still stands

Someone asked whether we should redo the percentages in the Ultimate Buy and Hold to make it “more productive.” When we built that 10-asset-class portfolio back in 1994 and 1995, the academics had concluded those classes were likely to deliver a premium for their risk — but they also said no one knows when. We knew from the past that we'd do better with more in small cap value and less in the higher-quality S&P 500. The whole point was to accept a bumpy ride in exchange for being broadly positioned over 10, 20, and 30 years.

It is always obvious what we should have done. It is never obvious what we should do. The one thing that is obvious, according to experts far more expert than I am, is that diversification is smart — and that massive diversification beats a little diversification. Chris's work boiling those 10 asset classes into simpler portfolios has been masterful. And whether you use M1 or Fidelity, you can now hold a 26-ETF portfolio and manage it as easily as you'd manage two funds.

A final word on AVLIC, AVUS, and AVSC

One last question that keeps coming up: why move from AVUS to AVLIC? When we went all-Avantis and all-DFA, Chris's task was to find the single fund in each family that best represents each asset class. AVUS is a total US market fund; AVLIC is the large cap blend fund. For the large cap blend slot, AVLIC is the better representative. As for AVSC — Avantis's small cap blend fund — it may sit just over the line into Morningstar's small cap value box right now, and it may creep back. It's the best available representative for that asset class, it's less value-tilted than Avantis's dedicated small cap value fund, and because both come from the same company, that relationship should hold steady over time, providing meaningful diversification.

That, hopefully, does it for boot camp — though we might still sneak in one more small piece.

Thank you, as always, for coming back. Take care.