

## THERE'S A NEW STYLIST IN TOWN THE HAIR JUNKIES.COM



From extensions, balayage color to fresh cuts, we deliver customized experiences that take makes you look and feel your best.



**FREE CONSULTATIONS**  
 Call or Book Online  
 630.991.3787  
 thehairjunkies.com  
 Located at  
 417 North Main Street  
 Glen Ellyn

**Essential Plumbing & Sewer**

**\$50 OFF**  
for new customers with MENTION OF THIS AD

**Friendly. Responsive. Reasonable.**

Call or Text 630-433-7058

**Introducing the Essential Quick Quote...**

1. text us a photo & description of your problem
2. we will get back to you in minutes with a quote and time our team can be there

## FINANCIAL FITNESS

# DON'T GIVE UP ON 60/40



BY ERIK FORD

While there are infinite ways to construct a portfolio, the first cut we generally make is the split between fixed income (i.e., bonds) and equities (i.e., stocks). In financial literature and among professionals, one of the most prevalent portfolio allocations is 60% equities and 40% fixed income, commonly known as the 60/40 portfolio. While each investor's allocation should be based on their individual risk tolerance and goals, the 60/40 portfolio is sort of a "goldilocks" portfolio in that it is not too hot and not too cold and a favorite among moderate risk investors.

The 60% in stocks are meant to provide growth over time to meet growth objectives and beat the erosion of inflation on our assets. The 40% in bonds have historically provided a stabilizing influence in contrast to the volatility of equities, while providing a modest income stream. Together in the modest 60/40 allocation, this mix provides the expectation, based on the historical experience, of investment gains over time with modest volatility. It is only an expectation mind you, not a guarantee. There are no guarantees in the investment world. The 60/40 allocation is considered a moderately allocated portfolio for investors to build wealth for retirement and then to withstand regular withdrawals during retirement.

Using the S&P 500 as the proxy for equities and the Bloomberg Aggregate as the proxy for fixed income, the average annual return of the 60/40 portfolio since 1976 was 10.4%. That is a level that works well in almost any retirement plan. During this time period, there has never been a year when both the equity portion and the fixed income portion produced a negative return in the same year until 2022. The temptation is to question the validity of the 60/40 allocation going forward. The influence of recency bias can be great, and in this case, the influence of a disappointing year caused by the decline of both major asset classes in our allocation can weigh heavily on our thinking and cause us to question our strategy.

Context is always important, and this case is no exception. As we discussed in last month's article, the bond market in 2022 was a true anomaly. Interest rates have never increased so fast from so low a starting point in recent financial history. The 13.0% decline in the bond market (Bloomberg Agg) combined with the 18.1% decline in the equity market (S&P 500) resulted in the 60/40 portfolio down 16.1% for 2022. Ouch! This was not the worst performance in the last fifty-plus years, but if it was the second worst (after 2008), it was,

however, the only year when both major components were down and both contributed to the overall portfolio decline. We rely on broad diversification to provide offset and moderate returns, especially when one component is having a bad year.

The year 2022 was a historical anomaly. So far in 2023, both sides of the 60/40 mix have been positive. It is tempting to take 2022 and the overall disappointment of the 60/40 allocation (let alone virtually all other mixes), as evidence to question our approach and future expectations. However, by taking a longer perspective and fuller review of the historical data, we realize that it was only a matter of time before we should experience a year like 2022. Can it happen again? Sure, but experience tells us it should be rare, and this allocation should continue to serve modest investors well.

*Erik Ford is the owner of Ford Wealth Management LLC in Glen Ellyn, IL. He is a CFP® certificate holder as well as an Accredited Investment Fiduciary®.*

*Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc. A Registered Investment Advisor. Cambridge and Ford Wealth Management are not affiliated.*

*Cambridge and Ford Wealth Management do not offer tax advice.*

*The S&P 500 Index, or the Standard & Poor's 500 Index, is a market-capitalization-weighted index of the 500 largest publicly traded companies in the U.S. It is not an exact list of the top 500 U.S. companies by market capitalization because there are other criteria to be included in the index.*

*The Bloomberg Aggregate Bond Index is a broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.*

**INDEPENDENCE · INTEGRITY · INSIGHT**

**Our mission is you.**

**Ford**  
Wealth Management LLC

**Erik G. Ford, CFP®, AIF®**  
 Financial Advisor  
 800 Roosevelt Road | Building B, Suite 413  
 Glen Ellyn, IL 60137  
[fordwealthmanagement.com](http://fordwealthmanagement.com)  
 Office 630.545.2800 | Mobile 312.804.9464  
[erik@fordwealthmanagement.com](mailto:erik@fordwealthmanagement.com)

Registered Representative. Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Investment Advisor Representative Cambridge Investment Research Advisors, Inc. A Registered Investment Advisor. Cambridge and Ford Wealth Management are not affiliated.

**GET READY TO STEP INTO SUMMER**

**IN-STOCK SALE & CLEARANCE**

*This summer, enjoy HOT DEALS on our selected Carpet, Rugs, Hardwood, Laminate & Luxury Vinyl! Take advantage of our INVENTORY CLEARANCE IN-STOCK ready for IMMEDIATE DELIVERY!*

**De Sitter**  
Established 1936  
**FLOORING**

*Your flooring source for over 100 years*  
**DeSitterFlooring.com**

**CARPET • RUGS • HARDWOOD • LUXURY VINYL • WOOD REFINISHING**

★★★★★ Enjoy 5-Star Experience - #1 Most Trusted Flooring Expert Since 1920.

**Call today for your next appointment!**

**GLEN ELLYN SHOWROOM 444 Roosevelt Rd. | 630.517.2687**