Automated Allocations

The Strategy That Adjusts…
Automatically.

Video Script
Video 15
AA on Steroids!
About Adding Funds

So far, we've looked at Automated Allocations from several different directions. We've started at market highs, market lows, and simply by the calendar. We've also looked at AA Plus! and what happens when additional funds are added to an AA portfolio.

Now, let's get a little crazy. Let's put AA on steroids. Buckle your seatbelt.

In these studies, we're going to look at what happens when we start with a relatively small amount of money—and then consistently add new money year after year. We'll start one portfolio with $3,000 and add $3,000 every year. Then we'll look at larger annual additions. We'll also look at a Roth IRA scenario, contributing the maximum amount allowed for each year included in the study.

For these studies, we're going to use UPRO exclusively. We'll again look at different starting points, including market highs and market lows. There's one important distinction: This is not standard AA Plus!. With AA Plus!, additional funds are generally added when the portfolio has exhausted its available "dry powder." In these studies, we're doing something different. We're deliberately adding a predetermined amount of new money every year, regardless of whether AA needs additional cash at that particular time. And, if the portfolio later runs out of dry powder, we're not going to add additional funds under AA Plus! and Rule #2. The annual contribution is all it gets.

The purpose is simple: What happens when consistent saving is combined with Automated Allocations over a long period of time? That's what these studies are designed to explore.

Below you'll find several different examples. As with the other studies, be sure to listen to the short audio overview that accompanies each one.

We've also added another calculator for you to experiment with. This calculator adds a fourth variable. You can enter the number of years, an assumed annualized rate of return, your initial investment, and an amount to be added each year.

The calculator will then show the mathematical result if those assumptions were achieved. It doesn't predict what Automated Allocations—or the market—will actually return. It's simply another tool for exploring how starting amount, time, assumed return, and regular contributions can affect the end result.

So... What happens when we take AA and add a little financial discipline year after year? Let's find out.

Enjoy.