

"Filling up the buckets" when investing refers to a strategy known as the "bucket strategy." This approach involves dividing an investor's portfolio into different "buckets," each designed to meet different financial needs and time horizons. The primary goal is to manage risk and ensure that funds are available when needed, while also allowing for growth over time. Here's a breakdown of the typical buckets:

1. Short-Term Bucket:

- **Purpose:** To cover immediate and short-term expenses, typically for the next 1-3 years.
- **Contents:** Cash, money market funds, short-term bonds, or other low-risk, highly liquid investments.
- **Risk Profile:** Very low risk to ensure capital preservation and easy access to funds.

2. Intermediate-Term Bucket:

- **Purpose:** To cover expenses that are expected in the medium term, usually 3-10 years.
- **Contents:** Intermediate-term bonds, bond funds, or balanced funds (which invest in both stocks and bonds).
- **Risk Profile:** Moderate risk, aiming for a balance between income and some growth.

3. Long-Term Bucket:

- **Purpose:** To cover long-term goals, typically those more than 10 years away, such as retirement or legacy planning.
- **Contents:** Stocks, stock mutual funds, exchange-traded funds (ETFs), and other growth-oriented investments.
- **Risk Profile:** Higher risk, with a focus on long-term growth and capital appreciation.

How the Bucket Strategy Works:

- **Funding the Buckets:** Initially, the investor allocates their total investment capital among the three buckets based on their financial goals, time horizons, and risk tolerance.
- **Rebalancing:** Over time, the investor may need to rebalance the buckets by transferring funds from one bucket to another. For instance, when the short-term bucket gets depleted due to spending, funds might be transferred from the intermediate-term bucket to replenish it.
- **Adjusting for Market Conditions:** The strategy allows for adjustments based on market performance. During a market downturn, the investor may rely more on the short-term and intermediate-term buckets to avoid selling long-term investments at a loss.
- **Income Management:** For retirees, this strategy can provide a structured way to manage income withdrawals, ensuring that they have sufficient liquidity for current needs while keeping other assets invested for growth.

Benefits of the Bucket Strategy:

- **Reduces Emotional Reactions:** By having a clear plan and designated funds for different time horizons, investors are less likely to make impulsive decisions based on market volatility.
- **Ensures Liquidity:** The short-term bucket ensures that there is always cash available for immediate needs, reducing the need to sell long-term investments at inopportune times.
- **Balances Growth and Safety:** The combination of different buckets allows investors to benefit from growth opportunities while also maintaining a safety net.

The bucket strategy can be tailored to individual circumstances, making it a flexible and practical approach for managing investments and achieving financial goals.

The investing bucket strategy divides assets into different "buckets" based on the time horizon for when the funds will be needed. Here's a sample table showing the recommended percentages for each bucket (short term, intermediate term, and long term) at various ages:

Age Range	Short Term (0-3 years)	Intermediate Term (3-10 years)	Long Term (10+ years)
20-30	10%	20%	70%
31-40	10%	30%	60%
41-50	15%	35%	50%
51-60	20%	40%	40%
61-70	25%	40%	35%
71-80	30%	35%	35%
81+	40%	30%	30%

Explanation:

- **Short Term (0-3 years):** This bucket is for immediate needs and emergency funds, typically held in cash or cash equivalents.
- **Intermediate Term (3-10 years):** This bucket is for near to mid-term goals, which may include bonds or other fixed-income investments.
- **Long Term (10+ years):** This bucket is for long-term growth, typically invested in equities or other growth-oriented assets.

Notes:

- Percentages are general recommendations and can vary based on individual circumstances, risk tolerance, and financial goals.
- The strategy aims to provide liquidity for immediate needs while allowing longer-term investments to grow over time.
- Adjustments might be needed based on changes in personal circumstances or market conditions.

Suggested Strategy:

- **Determine what Asset Classes you want to invest in:** See InvestmentDefinitions.xlsx worksheet. Look at the columns to the right and decide how risky you want your portfolio; risk increases as you move to the right. Use the “recommended” allocations as a guideline.
 - **Determine what Segments of the Asset Classes you want to be over/under weight in:** If you want to be stronger in Large Growth and less in Large Value, make those adjustments ensuring the total allocations is 100%. Consider the sector allocation (Basic Materials, Consumer Cyclical, Financial Services, Real Estate, Communication Services, Energy, Industrials, Technology, Consumer Defensive, Health Care, and Utilities). Consider the best allocation in Taxable, Tax Deferred, and Tax Free.
 - **Implement in the most effective way:** Choose products to satisfy your blend with the correct Asset Class exposure at the best price. Look for over concentration of 5% of any one fund. Review the Value of each product, what their YTD, 1yr, 3yr, 5yr, 10yr and Since Inception returns are and their Expense Ratios.
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The four pillars of investing, as described by William J. Bernstein in his book "The Four Pillars of Investing: Lessons for Building a Winning Portfolio," are:

1. **The Theory of Investing:**
 - This pillar focuses on understanding how markets work, the importance of diversification, and the concept of risk versus return. It emphasizes the efficient market hypothesis, which suggests that all known information is already reflected in asset prices, making it difficult to consistently outperform the market.
2. **The History of Investing:**
 - This pillar involves studying past market behaviors, booms, and busts to understand long-term trends and the cyclical nature of markets. Learning from history can help investors avoid common pitfalls and recognize patterns that may indicate market bubbles or opportunities.
3. **The Psychology of Investing:**
 - This pillar addresses the behavioral aspects of investing, including common biases and emotions that can lead to poor decision-making. Understanding psychology helps investors manage their emotions, such as fear and greed, and maintain a disciplined approach to investing.
4. **The Business of Investing:**
 - This pillar focuses on the practical aspects of investing, including the impact of fees, expenses, and taxes on investment returns. It also covers the importance of selecting the right financial products and services, as well as the role of financial advisors.

These pillars provide a comprehensive framework for building a sound investment strategy based on knowledge, historical context, psychological awareness, and practical considerations.