

# Motley Fool's *Rule Your Retirement* Newsletter

## Asset Class Returns in 2018

Robert Brokamp, CFP

January 4, 2019

The holiday cards from friends and family have stopped arriving, but your mailbox will soon be filled with the bounty of another annual postal tradition: the arrival of your year-end account statements. This makes January the perfect time to evaluate your investments and the people who pick them — including yourself.

Most experts talk about comparing a portfolio with an index, but I prefer sizing up my portfolio (and segments of it) against low-cost ETFs or index funds, for two reasons.

1. They factor in costs, however low, which is something that individual investors must also account for.
2. Their reported returns usually factor in dividend reinvestment.

So which fund(s) should you choose as a benchmark? Investors commonly compare their portfolios with the S&P 500, so the **iShares Core 500** (NYSEMKT: [IVV](#)) is a good start. However, because it's an index of U.S. large-cap stocks, it may not be the best bogey if you own a heaping helping of mid- and/or small-cap stocks. In that case, choose the **Vanguard Total Market ETF** (NYSEMKT: [VTI](#)). If you invest in non-U.S. stocks, also compare your returns with the **Vanguard Total World Stock ETF** (NYSEMKT: [VT](#)). To see if you (or your advisor) has more skill in a specific type of stock — such as small caps or technology — you can compare just those holdings with a relevant ETF.

To make your job easier, below you'll find the performance numbers for ETFs that focus on various asset categories. We provide returns for 2018 as well as the past three and five years, which is important; no assessment should be based on just one year. However, if you, your

advisor, or [your fund manager](#) aren't beating a relevant ETF over three years and especially five, it may be time to change course.

## **Assessing Your Asset Allocation**

How has your stew of cash, bonds, and stocks fared over the past few years? Are you — or your advisor — making overall asset-allocation decisions that compare favorably with what others are doing?

These are challenging questions because your entire financial picture is unique to you. (Yes, you really are special!) The amount you have in cash is determined by how much you need in the next few years, which is different from what everyone else needs. You might have decided to take more risk in your portfolio than others at your age because you have a safe pension or real estate that provides reliable rental income. Maybe you have other assets — such as company stock, a business, or expected inheritance — that have influenced your investment decisions.

One solution, albeit an imperfect one, is to compare your overall portfolio's performance with a target-retirement fund. These funds provide instant asset allocation — a prudent mix of cash, bonds, and stocks (both domestic and international) based on a general retirement date. Below, we provide the past performance of Vanguard funds with a range of retirement dates. We chose Vanguard's funds because they contain only index funds and a bit less than one-third of the equity allocation is in international stocks. Also, they tend to be among the top performers. Read "[How the Biggest Asset Managers Think You Should Invest Your Retirement Money](#)" to see how Vanguard's allocations compare to those of other firms, and determine if another company's target-retirement funds are more appropriate benchmarks for your portfolio.

Asset Class & Benchmark Funds	2018 Return	3-Year Annualized Return	5-Year Annualized Return
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## Total World Stock Market Asset Class Returns in 2018

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Asset Class & Benchmark Funds	2018 Return	3-Year Annualized Return	5-Year Annualized Return
Total World Stock Market			
Vanguard Total World Stock ( <a href="#">NYSEMKT: VT</a> )	-9.8	6.8	4.4
U.S. Total Stock Market			
Vanguard Total Stock Market ( <a href="#">NYSEMKT: VTI</a> )	-5.2	9.0	7.9
U.S. Large-Cap Stocks			
iShares S&P 100 ( <a href="#">NYSEMKT: OEF</a> )	-4.1	9.1	8.4
iShares Core S&P 500 ( <a href="#">NYSEMKT: IVV</a> )	-4.5	9.3	8.5
U.S. Mid-Cap Stocks			

Asset Class & Benchmark Funds	2018 Return	3-Year Annualized Return	5-Year Annualized Return
Vanguard Mid Cap ( <a href="#">NYSEMKT: VO</a> )	-9.2	6.4	6.2
iShares Core S&P 400 Mid Cap ( <a href="#">NYSEMKT: IJH</a> )	-11.2	7.6	6.0
U.S. Small-Cap Stocks			
Vanguard Small Cap ( <a href="#">NYSEMKT: VB</a> )	-9.3	7.7	5.3
iShares S&P Small Cap 600 ( <a href="#">NYSEMKT: IJR</a> )	-8.5	9.4	6.3
iShares Russell 2000 ( <a href="#">NYSEMKT: IWM</a> )	-11.1	7.4	4.4
U.S. Micro-Cap Stocks			
iShares Micro-cap ( <a href="#">NYSEMKT: IWC</a> )	-13.1	5.7	3.1
Total Non-U.S. International Stock Market			
Vanguard FTSE All World ex-U.S. ( <a href="#">NYSEMKT: VEU</a> )	-14.2	4.7	0.8
Total Non-U.S. International Small Caps			
Vanguard FTSE All World ex-U.S. Small Caps ( <a href="#">NYSEMKT: VSS</a> )	-18.5	3.5	1.1
Non-U.S. Developed Countries Stocks			
Vanguard FTSE Developed Markets ( <a href="#">NYSEMKT: VEA</a> )	-14.8	3.4	0.7
iShares MSCI EAFE ( <a href="#">NYSEMKT: EFA</a> )	-13.8	3.0	0.3
Emerging-Market Stocks			
Vanguard FTSE Emerging Markets ( <a href="#">NYSEMKT: VWO</a> )	-14.8	7.9	1.1
Target Retirement Allocations			
Vanguard 2050 (VFIFX): 90% stocks, 10% bonds	-7.9	6.8	5.1
Vanguard 2045 (VTIVX): 90% stocks, 10% bonds	-7.9	6.8	5.1
Vanguard 2040 (VFORX): 85% stocks, 15% bonds	-7.3	6.8	5.1
Vanguard 2035 (VTTHX): 77% stocks, 23% bonds	-6.6	6.4	5.0
Vanguard 2030 (VTHR): 70% stocks, 30% bonds	-5.9	6.1	4.8

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Vanguard 2025 (VTTVX): 62% stocks, 38% bonds	-5.2	5.7	4.7
Vanguard 2020 (VTWNX): 53% stocks, 47% bonds	-4.2	5.3	4.4
Vanguard 2015 (VTXVX): 40% stocks, 60% bonds	-3.0	4.7	4.0
Vanguard Retirement Income (VTINX): 30% stocks, 70% bonds	-2.0	3.8	3.4
<b>Real Estate Investment Trusts (REITs)</b>			
Vanguard REIT ( <a href="#">NYSEMKT: VNQ</a> )	-6.0	2.3	7.4
SPDR Dow Jones REIT ( <a href="#">NYSEMKT: RWR</a> )	-4.4	1.7	7.6
<b>Commodities</b>			
iShares S&P GSCI Commodity-indexed Trust ( <a href="#">NYSEMKT: GSG</a> )	-13.9	-0.5	-15.3
PowerShares DB Commodity Index ( <a href="#">NYSEMKT: DBC</a> )	-11.6	3.2	-10.6
<b>U.S. Value and Growth Stocks</b>			
Vanguard Value ( <a href="#">NYSEMKT: VTV</a> )	-5.4	9.1	7.8
Vanguard Growth ( <a href="#">NYSEMKT: VUG</a> )	-3.3	9.5	9.0
<b>Bonds</b>			
Vanguard Total Bond Market (NYSE: BND)	-0.1	2.0	2.5
iShares TIPS ( <a href="#">NYSEMKT: TIP</a> )	-1.4	2.0	1.6
Vanguard Total World Stock ( <a href="#">NYSEMKT: VT</a> )	-9.8	6.8	
<b>U.S. Total Stock Market</b>			
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