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2026 PERSPECTIVE / PORTFOLIO SYSTEMS

# Post 60/40: *Risk* Budget

What replaces the old system is not one magic sleeve—it is explicit risk budgeting under stress, with cash floors and governance that survive joint shocks.

SYSTEM ARCHETYPE 092

## 60/40 / *Regimes* /

The end of the classic 60/40 story is mostly a lesson in traveling correlations and fee honesty—where risk parity, alternatives, and factor tilts each import new risks that must be named beside liquidity needs

and tax drag. Connect to risk parity for levered diversification humility, MPT humility on covariance lies, the barbell strategy for floor-and-tail design, and three-bucket policy so runway stock does not get traded for narrative flow.

*"After 60/40, the job is still risk budgeting under stress—only the stories got louder."*

## 1. Correlation *Regimes*

What replaces the old system is not one product; it is a clearer map of risks, liquidity, fees, and behavior under stress. When correlations spike together, the policy should specify role of each sleeve: hedge, return, or liquidity—and forbidden overlaps. If two sleeves secretly rhyme, you are concentrated. Connect three-bucket policy so allocation matches runway, growth, and legacy intent.

Advisors must reconcile fiduciary language with concentration in alts platforms du jour. Annual allocation reviews should reconcile tax drag when

rotating structures each year chasing narrative. Humility is a position size. Sketch [causal loop diagrams](#) for inflation, rates, risk parity flows, and correlation spikes.

Illiquidity is not alpha by default; it is a lock that must match liabilities and psychology. A serious post-60/40 memo should publish partner alignment on complexity and monitoring time realistically available. Liquidity is the asset you spend in crises. Pair [MPT humility](#)—correlations travel; labels do not hedge.

The death of the 60/40 portfolio is a story about correlation regimes: when stocks and bonds suffer together, the old comfort blanket thins—and marketers rush to sell replacements with new blind spots. Before replacing a core mix wholesale, verify whether which correlations moved and whether risk budgets still fit intent. Narrative is not a covariance matrix. Read [risk parity](#) when stock-bond diversification assumptions break in tandem.

Households still need cash floors and decision rules; no sleeve removes the need for governance. The adult version of allocation redesign is to document assumptions about two years of illiquidity with income interruption and no forced sales. Boring cash floors beat brilliant alts. Use [the barbell strategy](#) when you want floors and convex tails instead of a fragile middle.

Risk parity, alts, factor tilts, and barbells each trade new risks for old ones—name the trade honestly. If an alt sleeve gates redemptions, interrogate runway cash, debt calls, and behavioral drawdown tolerance survive a joint equity-bond shock. Replacements carry their own funerals—read prospectuses. Use [the barbell strategy](#) when you want floors and convex tails instead of a fragile middle.

## 2. Narrative *vs.* Math

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Simplicity and humility often beat cleverness after fees and regret. Stress the portfolio by assuming two years of illiquidity with income interruption and no forced sales. The old system died slowly; your plan should not. Sketch [causal loop diagrams](#) for inflation, rates, risk parity flows, and correlation spikes.

Taxes and implementation shortfall eat narrative returns; model net of both. Second-order thinkers ask how alternatives interact with runway cash, debt calls, and behavioral drawdown tolerance survive a joint equity–bond shock. When doubt appears, widen governance before widening novelty. Read [risk parity](#) when stock–bond diversification assumptions break in tandem.

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funds, platforms, and advisors nobody annualizes together. Humility is a position size. Budget entropy for fee drag, tax complexity, and strategy churn replacing one faith with another.

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### 3. Alternatives *Trade-offs*

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## 4. Liquidity *Budgets*

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## 5. Tax *and Implementation*

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## 6. Behavior *and Governance*

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## 7. Fiduciary *Language*

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POST-60/40 ALLOCATION MEMO

01

## Risk budget

Stocks, rates, credit, liquidity—caps written.

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02

## Illiquidity ceiling

Years locked; cash floor matched.

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03

## Fee stack

All-in costs annualized—no hero math.

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04

## Stress calendar

Joint shock rehearsal—owner, date.

# 8. Atlas *Integration*

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