## 12-Year Investment Strategy and Mutual Fund Options

Location: Seattle, Washington
Objective: Develop a 12-year investment strategy to build liquid capital for real estate investments in Washington, Idaho, Florida, and Texas while maintaining long-term financial security.

### 1. Financial Overview and Assumptions

This strategy is built for an individual earning approximately $90,000 annually in Seattle, WA. Assuming typical deductions and taxes, this equates to roughly $5,200–$5,600 in monthly take-home pay. The goal is to establish a structured, long-term plan that balances liquidity, investment growth, and financial resilience leading to future real estate investments.

### 2. 12-Year Investment Roadmap

The 12-year plan is structured into four main phases, designed to progressively build savings, grow capital, and strategically transition toward property acquisition.

• Years 0–1: Foundation Setup
 - Build a 3–6 month emergency fund ($9,000–$18,000) in a high-yield savings account.
 - Pay down any high-interest debts and maintain a FICO score above 740.
 - Begin contributing 5–10% of income to retirement accounts (401k, Roth IRA).

• Years 1–4: Growth and Savings Phase
 - Target 20–25% of gross income toward savings/investments ($18,000–$22,500 annually).
 - Direct 10–15% to retirement and 10%+ to a taxable brokerage account ('real estate war chest').
 - Invest primarily in low-cost mutual or index funds with a long-term growth outlook.

• Years 5–8: Capital Acceleration
 - Increase total investment rate to 25–30% of income.
 - Focus on growth within a diversified taxable portfolio (70–85% equities, 15–30% bonds).
 - Build relationships with lenders, real estate agents, and study target markets in each state.

• Years 9–12: Real Estate Readiness
 - Shift part of portfolio to safer assets (50–70% equities, 30–50% bonds/cash).
 - Prepare for down payments and reserves ($75K–$150K per property depending on market).
 - Execute property acquisitions in targeted states and maintain investing discipline post-purchase.

## 3. Mutual Fund Options for the 12-Year Plan

Below are select mutual funds from Vanguard, Fidelity, and other reputable institutions with low expense ratios and strong long-term performance histories suitable for a balanced investment approach.

| Fund Name | Provider | Ticker | Expense Ratio | 10-Year Annualized Return |
|---|---|---|---|---|
| Vanguard 500 Index Fund Admiral Shares | Vanguard | VFIAX | 0.04% | ≈14.6% |
| Vanguard Total Stock Market Index Fund | Vanguard | VTSAX | 0.04% | ≈13.8% |
| Fidelity 500 Index Fund | Fidelity | FXAIX | 0.015% | ≈14.7% |
| Fidelity Total Market Index Fund | Fidelity | FSTVX/FSKAX | 0.03% | ≈13% (est.) |
| Vanguard Wellington Fund | Vanguard | VWELX | 0.25% | ≈9.7% |
| Vanguard Equity Income Fund | Vanguard | VEIPX | 0.27% | ≈11.1% |
| Dodge & Cox Stock Fund | Dodge & Cox | DODGX | 0.51% | ≈12.1% |

## 4. Recommended Allocation Strategy

For the first 8 years, prioritize capital growth through equity-heavy allocations. Gradually transition to a more conservative mix as liquidity needs increase toward year 12.

• Years 1–4: 80–90% stocks, 10–20% bonds/cash.
• Years 5–8: 70–80% stocks, 20–30% bonds/cash.
• Years 9–12: 50–70% stocks, 30–50% bonds/cash.
Rebalance annually or semi-annually to maintain target allocations and risk exposure.

## 5. Risk Management and Tax Considerations

• Diversification: Maintain exposure across multiple sectors and fund types to mitigate risk.
• Fees: Prefer funds with expense ratios under 0.30% to maximize compounding returns.
• Tax Efficiency: Hold real estate capital funds in taxable accounts for liquidity; reserve tax-deferred accounts for retirement savings.
• Market Timing: Avoid emotional reactions to market volatility; use dollar-cost averaging.
• Exit Planning: Gradually convert investments into cash equivalents as real estate purchase windows approach.

## 6. Conclusion

This 12-year investment strategy aims to build strong financial discipline, robust liquidity, and readiness for multi-state real estate investment. The recommended mutual funds provide a diversified foundation for achieving both growth and stability over the investment horizon. Consistency, periodic review, and proactive rebalancing will be critical to success.