WG PLAN: The Four Lever Framework

Why your portfolio has four moving parts instead of one.

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This paper describes how we build portfolios in general. It isn't a plan, a proposal, or a recommendation for anyone in particular — what a specific household actually needs comes out of a diagnostic process, and no two come out the same. Read this as the architecture, not the blueprint. It's meant to be worth keeping and worth re-reading.

One Dial Is Not a Strategy

Ask most people what makes a portfolio conservative or aggressive and you'll get a single answer: how much of it is in stocks.

That's the dial. Turn it left for safety, right for growth. Nearly every portfolio you'll ever be shown is somewhere on that one dial, and the conversation about your money reduces to which notch you belong at.

Here's the problem with that. The things that can actually break a retirement don't come in one flavor, and they don't all respond to the same dial.

Markets falling early in retirement, while you're withdrawing, is one kind of risk. Living a very long time is a completely different one. Needing three years of care at the end is a third. A spouse dying young and taking half the household's Social Security with them is a fourth. A decade where stocks and bonds do nothing while your spending doesn't pause is a fifth.

Turning one dial left protects you against exactly one of those. It makes two of them worse.

So the question we start from isn't how much risk should you take. It's a harder one, and a more useful one: what specific risks does this household actually face, and what's the right instrument for each?

That question has four answers. We call them levers, and each one does a job the others can't.

What the Four Levers Do

Before the detail, the shape of it.

Lever 1 is Market Based. It participates in the public markets — the growth engine, built to adapt as conditions change rather than sit at a fixed allocation.

Lever 2 is Market Hedged. It buffers market volatility: trading away some upside for a measure of downside protection and more predictable risk management.

Lever 3 is Alternatives. It diversifies away from the public markets altogether, through return sources genuinely uncorrelated to stocks and bonds — not just a different ticker on the same bet.

Lever 4 is Risk Transfer. It removes risk instead of managing it — the one lever with no equivalent inside a traditional portfolio, and the one worth understanding best.

Notice what that list isn't. It isn't four flavors of the same thing at four risk levels. Each lever exists because there's a job the other three can't do.

Lever 1 — Market Based

Your portfolio has to grow. Nothing else in the plan works if it doesn't, because the alternative to market risk isn't safety, it's the slow certainty of inflation.

This lever is P.L.A.N., our systematic investment engine — adaptive by design. It runs a set of rules that adjust how much market exposure you're carrying as conditions change, reading trend, momentum, volatility, and credit conditions, and stepping exposure down as those deteriorate rather than holding a fixed stock-and-bond ratio through everything.

Two things about it matter at this level of detail. It doesn't forecast; it responds to conditions already visible in the data, which is a much more modest claim than predicting anything. And it comes down faster than it goes back up: exposure gets reduced on deterioration, but rebuilt only in stages as a recovery actually confirms itself. That asymmetry is the point. It's also the cost.

What it costs. A system that gives up some upside to avoid the worst of the downside will lag in a year that's nothing but upside. That's by construction, not by accident, and you should expect to feel it in a straight-up market.

The research this rests on, the engine's design targets, and the full ladder of portfolios built from it — Income through Growth Plus — are covered at length in a companion paper, *P.L.A.N. Portfolios: Adaptive by Design*. Ask if you'd like it. Nothing in this document depends on having read it.

Lever 2 — Market Hedged

Some risk isn't about how much you lose. It's about when.

Take two retirements with identical average returns over thirty years. Put the bad years at the start of one and the end of the other. The one that had its bad years first, while money was going out the door, can fail while the other one succeeds. Same returns. Different order. That's sequence risk, and no amount of diversification fixes it, because it isn't a diversification problem — it's a timing problem.

This lever addresses timing directly, using contracts rather than markets. Two kinds of contract do the work.

Buffered strategies absorb a defined band of loss before you feel any of it. The protection is written into the contract in advance rather than depending on how a market behaves.

Contractual income strategies are contracts that carry a guaranteed-income feature you can switch on — now, or at a date years out. While the feature is off, the contract lives here, in the buffering lever, doing hedged-growth work. The day it's switched on and starts doing the work of a paycheck, it moves to the fourth lever in how your plan accounts for it — not because the contract changed, but because its job did. Same contract, different job, and your plan tracks it by the job.

What both kinds share is a structural feature markets can't offer: a floor, or a buffer, agreed to ahead of time. When this lever is doing its job, part of your income doesn't depend on what happened last quarter, which means the growth lever doesn't have to be sold into a decline to fund your life.

What it costs, and this is a real cost. Buffers and floors are purchased with upside. Caps, participation rates, and spreads mean you don't get the whole gain in strong years. Surrender periods mean some of this money isn't freely available for a stretch of years. And the guarantees are only as good as the company standing behind them, which is why carrier strength is part of the selection and not an afterthought.

Lever 3 — Alternatives

Owning eleven different stock funds is not diversification. It's one bet, expressed eleven ways, and you find that out on the day everything falls together.

This lever holds return sources that don't take their instructions from the stock market — strategies and assets whose results depend on something else entirely. It splits into two halves, and the split matters more than it sounds.

The liquid half holds alternatives you can exit on reasonable notice. You give up some of the premium available further out on the spectrum, and you keep your flexibility.

The illiquid half holds positions with lock-ups measured in years rather than days. Strategies that carry specific tax advantages in exchange for a long holding commitment sit here, along with private strategies whose availability depends on your financial circumstances rather than your preferences.

Why hold anything illiquid at all? Because a meaningful part of the return available in these strategies exists precisely because the money is locked up. Patient capital gets paid for being patient — sometimes. The premium is documented, debated, and never automatic: it has to survive the fees charged on the way to it, and it only exists for money that genuinely won't be needed mid-stream. What isn't debated is the entry requirement. There's no version of it available to someone who wants their money back on Tuesday.

What it costs. Illiquid means illiquid. If you need the money in year three of a ten-year commitment, wanting it doesn't produce it, and this lever's size is set against your actual liquidity needs rather than your enthusiasm. Eligibility gates are also real: some of these strategies are legally restricted to accredited investors or qualified purchasers, and if a household doesn't qualify, this half of the lever goes to zero. That isn't a judgment about the household. It's a rule.

Lever 4 — Risk Transfer

Here's the one that has no counterpart in a conventional portfolio, and the reason the framework has four levers rather than three.

The first three levers all manage risk. They spread it, buffer it, adapt to it, reduce it. What none of them can do is make a risk stop being yours.

Some risks can't be diversified away, because they aren't market risks at all. You can't diversify against living to ninety-seven. You can't rebalance your way out of needing memory care for four years. And no allocation protects a surviving spouse from the pension election made a decade earlier, or from the day the smaller Social Security check stops arriving. The bills keep coming.

There's a reason those risks behave differently, and it's worth being precise about. Diversification is an averaging machine: it works by spreading exposure across enough independent outcomes that no single one can sink you. Averaging needs a crowd. But your household isn't a crowd — there's no diversified basket of your own lifespan, no index of your own health. These risks sit on one household, undiluted, and they're the ones most likely to actually break a plan.

This lever transfers them to a balance sheet built to carry them. The transfer takes three shapes.

Survivor protection replaces what a household actually loses at a death — including structures built around the second death rather than the first, when that's where the need really lands.

Care-cost coverage takes on the expense of extended care, including structures that return value to the household whether or not care is ever needed.

Lifetime income transfer moves longevity itself onto someone else's balance sheet — a contractual income that continues for exactly as long as a person lives, however long that turns out to be. In our practice this is usually done through a living-benefit rider on an annuity contract rather than by annuitizing: the income turns on, the account value stays on the books, whatever remains at death passes to your beneficiaries, and the principal stays accessible instead of surrendered. Most of the riders we use also carry an increasing-income feature — payments that step up with inflation, or with the index credits the contract earns — because a level check thirty years from now is a smaller check, whatever number is printed on it.

The actual transfer happens quietly, at the far end. Before the account is exhausted, the checks are largely your own money coming back on a guaranteed schedule. If you live long enough — or markets do poorly enough — that the account runs dry, the checks keep coming anyway, for life. That moment, and everything after it, belongs to the insurer instead of to you. It gets more valuable the longer you live — which is exactly the direction the risk runs.

That's a different act from anything the other three levers perform. The first three play the odds as well as odds can be played. This one takes the bet off your table.

What it costs. Premiums and rider fees are a real, ongoing expense — the rider charges annually for as long as the guarantee is in force, whether or not income has started — and money spent on transfer is money not invested for growth. The guarantee has rules: draw more than the contract permits in a year and the lifetime income can shrink, sometimes sharply, for every year after — the principal stays accessible, but it isn't free to use. Increasing-income features start with a smaller check in exchange for the growth. A few structures in this lever genuinely are irrevocable — annuitized income, where it's elected, doesn't reverse — which is one reason that election is the exception in our practice rather than the default. Coverage with a death or care benefit requires medical underwriting, which means it isn't available to everyone, and it costs more the longer it's postponed. And a transferred risk isn't gone. It belongs to someone else now, which is what makes that company's financial strength load-bearing rather than fine print.

That's the honest trade. You give up growth and some flexibility, in plain sight. What you get back is quieter: the risks most likely to break a plan stop being yours to carry.

The Mix Is Diagnosed, Not Chosen

Here's where this framework departs hardest from how portfolios usually get built.

The standard process is a risk-tolerance questionnaire. You answer a page of questions about how you'd feel if your account dropped twenty percent, a score comes out, and the score maps to a model. The whole thing rests on a self-assessment of your emotional response to a hypothetical you haven't lived through.

We don't set your lever mix that way, because how you feel about a decline and what your household structurally requires are two different facts, and only one of them is measurable.

So the mix is driven by diagnostics instead. Whether your essential spending is actually covered by income that doesn't depend on markets. What it would cost, in today's dollars, to replace the income a surviving spouse would lose. How long your planning horizon really is, since below roughly fifteen years the market's chance to recover from a bad stretch gets thin, and above thirty the arithmetic changes again. Whether you qualify for the restricted strategies at all. How much liquidity you genuinely need, as opposed to how much you'd like to see.

Each of those is a measured condition, and each one moves specific levers in a specific direction. When income coverage is structurally short, the risk-transfer lever gets a floor — not because anyone prefers it, but because the arithmetic requires it. When liquidity sensitivity is high, the illiquid half gets capped or eliminated. When there's no eligibility for restricted strategies, it goes to zero regardless of anything else.

One rule governs all of it, and it's worth stating plainly: **the diagnostics price the risk. They never mandate what you do about it.** A household can look at what covering a given risk would cost, decide the price isn't worth paying, and accept the risk deliberately. That's a legitimate answer. What isn't legitimate is accepting a risk without knowing it's there, which is the outcome the whole diagnostic exists to prevent.

And every trade-off you accept gets written down in your plan documents, in plain language, as something the plan accepts rather than something it solves. Not buried. Listed.

Where Each Lever Lives

One more layer, easy to overlook and worth real money.

Deciding what you own is only half the decision. Where you own it — which account, which tax treatment — changes what you keep. Tax-inefficient income producers belong in accounts that shelter distributions. Tax-efficient, low-turnover holdings can sit where growth compounds untaxed. And some strategies have to be funded from a particular kind of account by rule rather than by preference, which constrains where they can live regardless of what would otherwise be optimal.

So after the lever percentages are set, each one gets mapped to specific accounts for tax efficiency. Same holdings, different locations, materially different after-tax outcome. Location is one of several tax decisions — what gets recognized when, what gets converted while rates are favorable — that get made before allocation rather than after it, and they run across all four levers at once.

Maintaining It

An architecture that's correct on the day it's built and never touched again isn't an architecture. It's a snapshot.

Lever targets drift as markets move, and drift past a set threshold triggers a rebalance back to design rather than a debate about whether now feels like a good time. Beyond drift, specific life events reopen specific levers: a change in health, a death, a material change in spending, a shift in eligibility. Each has a defined trigger and a defined response, decided in advance, when nobody's under pressure.

What This Isn't

It's not a product menu. This paper names categories of strategy, never products or providers, and nothing described here is a recommendation for you. Which categories appear in a specific plan — and whether some of these levers appear at all — depends entirely on that household's diagnostics and suitability analysis. Four levers is the full toolbox, not a quota.

It's not a promise that all four are right for everyone. Eligibility gates, medical underwriting, liquidity needs, and cost can each rule a lever out. When one gets ruled out, the framework says so and documents why, rather than substituting something that doesn't fit.

And it's not a guarantee. Guarantees inside the contractual and risk-transfer categories depend on the claims-paying ability of the company standing behind them. Investments can lose value, including principal. A framework that assigns every risk to the right instrument is a better answer than one dial — it still isn't certainty, and anyone offering you certainty is describing a product that doesn't exist.

What the four levers give you is narrower, and I think more honest: every significant risk in your plan has something specific pointed at it, chosen because it's the right tool for that risk, priced so you can see what it costs, and written down so you know what you're carrying and what you've handed off.

One dial can't do that. It was never built to.

Important Disclosures

This document describes a general portfolio-design framework used by WG Plan. It isn't individual investment, tax, insurance, or legal advice, and it isn't a recommendation of any security, insurance product, annuity, or investment strategy. No investment or insurance decision should be made on the basis of this document. The strategy categories described are general in nature; no specific product, contract, fund, or provider is named, described, offered, or recommended anywhere in this paper, and any strategy is appropriate only after an individual suitability analysis.

Contractual and risk-transfer strategies. Guarantees, floors, income features, and death benefits in these strategies are obligations of the issuing insurance company and are subject to its claims-paying ability and financial strength. They aren't guaranteed by any bank or by the FDIC. Contracts in these categories may carry surrender charges, and withdrawals during a surrender period may be subject to those charges as well as to income taxes and, before age 59½, a federal penalty. Optional features, including living-benefit riders, generally carry additional annual cost and may have conditions or limitations. Benefit bases used to calculate rider income aren't account values and are generally not available for withdrawal or surrender. Withdrawals exceeding the amounts permitted under a rider may reduce or eliminate guaranteed benefits. Income increase features, where elected, may result in lower initial income and depend on index performance, interest crediting, or contractual formulas; increases aren't guaranteed to occur in any year. Buffered strategies limit upside through caps, participation rates, or spreads, and a buffer absorbs only a defined amount of loss — losses beyond that amount are yours. Some contractual income arrangements are irrevocable once elected. Survivor-protection and care-cost strategies require medical underwriting, aren't available to everyone, and generally cost more the later they're put in place.

Alternative strategies. Alternative strategies involve substantial risk, including possible loss of principal. Illiquid strategies carry lock-up periods measured in years during which capital generally can't be accessed, may use leverage, may have limited transparency and no secondary market, and often carry higher fees than traditional investments. Many are restricted to accredited investors or qualified purchasers and aren't available to all households. Strategies offering tax advantages in exchange for a long holding commitment carry specific holding-period requirements, and their tax consequences depend on individual circumstances; consult your tax advisor.

General. Diversification and asset allocation don't ensure a profit or protect against loss. Asset location strategies depend on individual tax circumstances and current tax law, both of which can change. All investing involves risk, including loss of principal. Rebalancing and reallocation may have tax consequences in taxable accounts.

This document is general and educational. It doesn't describe, propose, or recommend a portfolio for any particular household, and receiving it doesn't create an advisory relationship. Any actual portfolio design follows an individual diagnostic and suitability process.

For the investment philosophy and design of the first lever, including its targeted risk characteristics and the disclosures that accompany them, see *P.L.A.N. Portfolios: Adaptive by Design*, available on request.