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Warren Buffett's Retirement Strategy Has a Catch: VOO Alone May Not Be Enough in 2026

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Warren Buffett's famous 90/10 investment strategy has a simple premise: let stocks build wealth over time and use short-term government bonds as a cushion when markets turn volatile. But with retirees increasingly dependent on investment portfolios for regular withdrawals, the effectiveness of that 10% allocation deserves a closer look.

The strategy recommends putting 90% of a portfolio in a low-cost S&P 500 index fund and 10% in short-term US government securities. Investors can replicate the equity allocation through the **Vanguard S&P 500 ETF (NYSE: VOO)** and the bond component through Treasury-bill ETFs such as the **iShares 0-3 Month Treasury Bond ETF** SGOV or **SPDR Bloomberg 1-3 Month T-Bill ETF (NYSE: BIL)**.

The 10% Allocation Is More Than an Income Generator

Buffett's original reasoning was not simply to earn interest from government bonds. In his 2013 Berkshire Hathaway shareholder letter, he explained that the short-term bond allocation would allow his wife's trustee to fund withdrawals during severe market downturns without selling equities at depressed prices.

That distinction matters.

VOO's dividend yield is approximately 1.05%, compared with short-term Treasury yields of around 4.2% in early November 2026. While Treasury securities currently offer more income, their bigger role in this portfolio is providing liquidity when equity markets struggle.

For instance, a $600,000 portfolio following the 90/10 allocation would have $60,000 in Treasury securities. At an annual withdrawal rate of 4%, that reserve could theoretically cover 2.5 years of withdrawals without selling stocks, assuming no other withdrawals or spending changes.

However, that cushion is finite.

What Happens When the Treasury Reserve Runs Dry?

The biggest challenge is deciding when and how to replenish the bond allocation.

If markets recover and equities appreciate, investors can sell some VOO holdings and restore their Treasury allocation to 10%. But if stocks remain under pressure for an extended period, replenishing the reserve could require selling equities at unfavorable prices.

Treasury ETFs such as SGOV and BIL can help manage this liquidity requirement because they hold short-maturity government securities. However, their yields change as existing Treasury bills mature and new ones enter the portfolio.

Is 90% Exposure to the S&P 500 Too Aggressive?

There is another consideration. Although the S&P 500 provides exposure to hundreds of companies, its largest constituents account for a substantial share of the index. This means VOO investors remain exposed to concentration risks, particularly during technology-led market corrections.

Research by **Javier Estrada** at **IESE Business School** examined Buffett's 90/10 allocation across historical 30-year retirement periods. The findings supported its long-term wealth-building potential, but also highlighted the importance of managing withdrawals during market downturns.

The Bottom Line

Buffett's 90/10 strategy is not just about choosing two investments. It is about having a disciplined plan for when to spend from bonds, when to sell equities and when to restore the portfolio's original allocation. For retirees, that withdrawal strategy could matter as much as the ETFs themselves.