

Monthly calendar rebalancing costs **\$68,195** more than a 5% threshold strategy over 30 years. One account setting drives the entire gap.

### FORMULA — Monthly-Compounded Future Value

$$FV = P \times (1 + r/12)^{t \times 12} + PMT \times [ ((1 + r/12)^{t \times 12} - 1) / (r/12) ]$$

Variable	Definition	Base-Case Value
P	Initial portfolio balance	\$85,000
PMT	Monthly contribution	\$600
r	Annual gross return (threshold)	7.00%
r-drag	Annual return (calendar, 20 bps drag)	6.80%
t	Investment horizon (years)	30
n	Total monthly periods (t x 12)	360

### 3 DRAG SCENARIOS — Python-Verified Values (±\$10)

Scenario	Drag (bps)	Threshold FV	Calendar FV	Gap	Gap vs. Base
Lower bound (Vanguard)	15 bps	\$1,421,885	\$1,370,398	<b>\$51,487</b>	-25%
<b>BASE CASE ✓</b>	<b>20 bps</b>	<b>\$1,421,885</b>	<b>\$1,353,690</b>	<b>\$68,195</b>	<b>Baseline</b>
Upper bound (Vanguard)	22 bps	\$1,421,885	\$1,347,070	<b>\$74,815</b>	+10%

All FV values: P=\$85,000 · PMT=\$600/mo · r=7.00% gross · n=360 · drag subtracted from gross return. Source: Vanguard Zhang et al. (2024).

### THRESHOLD SELECTION MATRIX

Band Width	Best For	Est. Annual Events	Drag Eliminated
3% absolute	Complex multi-asset / daily monitoring	6–9	~10 bps
<b>5% absolute ✓</b>	Standard 2–4 fund 401(k) or IRA	4–6	~15–20 bps
10% absolute	Simple 2-fund / quarterly check	2–4	~5 bps
20% relative (Daryanani 2008)	Multi-asset-class portfolios	Moderate	~30 bps vs. annual

Annual event estimates directional; based on Daryanani (2008) FPA Journal and Vanguard Zhang et al. (2024). Drag figures represent approximate order of magnitude.

### PLATFORM PATHS — How to Find (or Request) Your Threshold Setting

Platform	Navigation Path	Threshold Configurable?	Note
<b>Vanguard (self-directed)</b>	Account Settings → Rebalancing Preferences → Select threshold-based → enter band %	YES — user sets %	4 clicks from home
<b>Fidelity (self-directed)</b>	Accounts → Planning → Rebalancing → Threshold-based → enter band %	YES — user sets %	4 clicks from home

<b>Schwab Intelligent Portfolios</b>	Account → Settings → Portfolio Settings → Rebalancing section	<b>NO — proprietary</b>	Threshold not disclosed or configurable
<b>Employer 401(k)</b>	Plan Documents → Rebalancing section or contact Plan Administrator	Varies by plan	Request threshold disclosure in writing

**Quick Use:** (1) Log in → find Rebalancing settings [5 min] (2) Choose 5% band for standard 401(k)/IRA [10 min] (3) Set drift alert — 4 clicks on Vanguard/Fidelity [10 min] (4) Check drift at each contribution event [5 min/month]

Sources: Vanguard Zhang et al. (2024) "The Rebalancing Edge" · Harvey, Mazzoleni & Melone (2026) NBER w33554 · Daryanani (2008) FPA Journal

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*Disclaimer: This reference guide assumes a fixed drag rate applied to gross return. Individual results vary by portfolio complexity, account type, and tax situation. Not investment advice.*