Investing around the world to diversify your portfolio

Steven Podnos MD, CFP ⋮ ⋮ 10/6/2025

Blog

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Key Takeaways

- Portfolio design involves deciding on the allocation between equities, fixed income, and cash, with equities offering high returns and volatility.
- Fixed income provides stability with lower returns, while cash yields returns close to inflation, often slightly less after taxes.
- Diversification is essential, as asset classes cycle over time, with overseas assets sometimes outperforming domestic ones.
- Historical trends show asset classes fluctuate unpredictably, underscoring the importance of maintaining a diversified portfolio.

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When we design an investment portfolio, there are several important decisions to make.The ‘top down” decision is to decide what percentage of a portfolio is invested in stocks (equities) vs. fixed income (bonds usually) and cash.There are “alternatives” like commodities, private credit, venture capital and more, but these are not present in most physician portfolios.

Over the long term, equities provide the highest return with the highest volatility. They are most suitable for long term investing to both benefit from the returns and surviving the volatility. Fixed income is less volatile but with the price of lower returns most of the time (an exception being when interest rates are being steadily decreased as at times between 1980-2018). Cash returns roughly the rate ofinflation, but usually a little less after taxes. So, a very long term investor (think retirement accounts while working) should usually be predominantly invested in equities.

But once the allocation percentages to stocks vs. bonds vs. cash is made, the next choice is “which” stocks and bonds. Here we divide our choices into domestic vs international purchases. In a truly passive approach that allocates money directly proportional to investments globally, we’d put almost half our money in the US and half outside. We’d allocate a little more to fixed income than to stocks. But almost no one does this. Instead, most people will favor their “home” markets (Americans invest mostly in the US, etc.) and allocate to stocks and bonds depending on their particular desired balance between volatility and returns.

So, should Americans invest in overseas stocks and bonds? I’d answer in the affirmative, as asset classes “cycle” over periods of time. There is a wonderful illustration of this at the annually update Periodic Table of Asset Returns. Looking at this table over several decades demonstrates that there can be significant periods of time when overseas assets outperform US assets.This was certainly the case in the first decade of this century, and is true so far for 2025. One of the tenets of sound investing is to stay diversified to capture the very fact that asset classes don’t all move together.

As we started 2025, many pundits remarked that the “place to invest” was the US stock market, since foreign stocks had lagged for a decade. Unsurprisingly, this was the time that things started to reverse. No one knows what the future holds, but we do know the past demonstrates that asset classes cycle constantly and slowly-and we will never know when in advance.

Steven Podnos, MD, CFP, practiced pulmonary and critical care medicine in both private practice and in the Air Force reserve for forty years. He is the founder and CEO of Wealth Care LLC, a fiduciary fee-only financial planning practice and can be reached at Steven@wealthcarellc.com.

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