



Target Date Mutual Funds

(Does One Size Fit All?)





Target Date Mutual Funds



- A fund of funds
- Links investment portfolio to a time horizon (retirement date)
- Automatically resets the asset mix.

- Investor picks a year and fund managers do the rest!!
- Fidelity introduced their first target date fund in the year 1996
- Recently designated as one of the three Qualified Default Investment Options (QDIAs)² (Department of Labor rule)

http://findarticles.com/p/articles/mi_qa3743/is_200807/ai_n29492194/



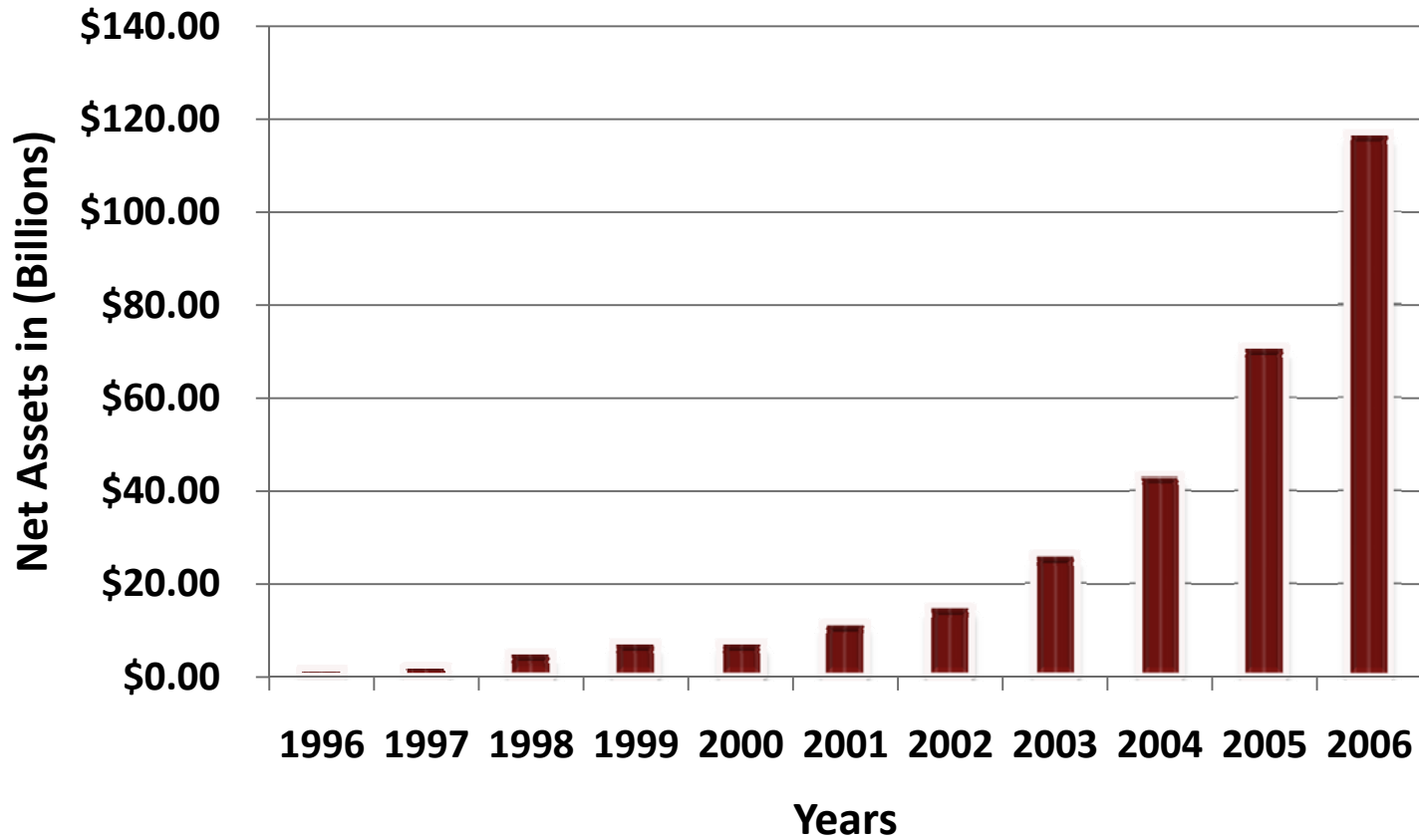
Size



Target Date (date as of 12/31/07)	Number of Target Date Funds	Total Assets (In Billions)
Current	28	\$13
2010	28	\$26.1
2015	24	\$20.3
2020	28	\$39.5
2025	20	\$19.2
2030	27	\$27.4
2035	20	\$11.7
2040	25	\$14.7
2045	16	\$4.1
2050	12	\$1.6
2055	1	\$0.4
Total	229	\$177.7



Growth



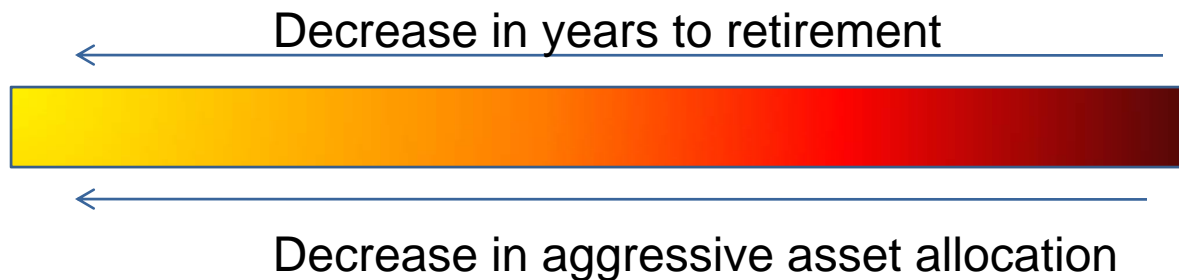


Vehicle Design

Percentage Investment in Stocks = (100 - Age)

Percentage Investment in Stocks = (110 - Age) * 1.25

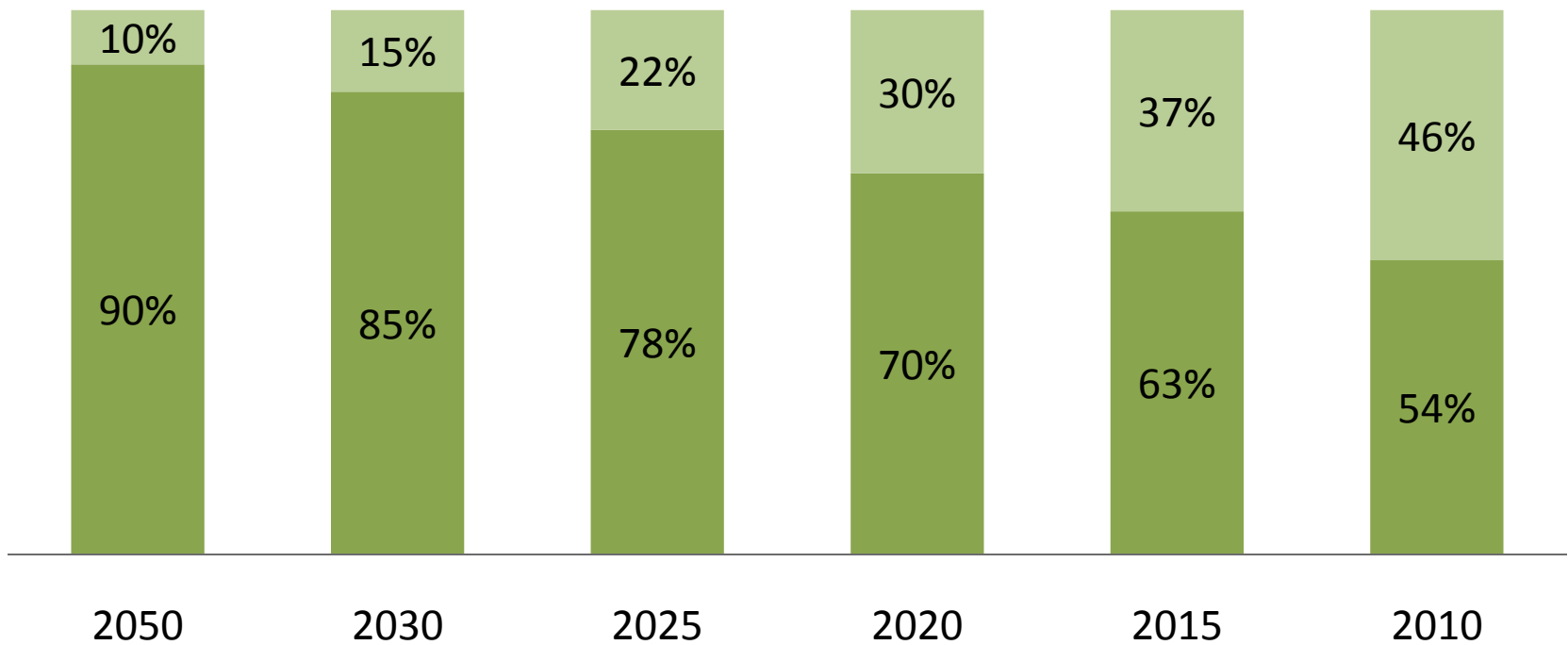
Age in Years	100-Age	(110-Age)*1.25
35	65%	93.75%
45	55%	81.25%
55	45%	68.75%
65	35%	56.25%





Vanguard Asset Allocation

■ Stock ■ Bond





2010 Fund Allocations

Funds	Stocks(%)	Bonds(%)	Cash(%)
Oppenheimer Transition 2010(OTTAX)	65.5	30.8	4.3
American Funds Target Date Ret 2010(AAATX)	59.5	30.8	7.7
T. Rowe Price Retirement 2010(TRRAX)	58.1	36.1	4.7
Bank of America Retirement 2010(BFBAX)	57.2	35.1	7.6
Hartford Target Retirement 2010(HTTAX)	54.9	37.5	6.1
Vanguard Target Retirement 2010(VTENX)	53.4	45.0	1.3
JHancock2 Lifecycle 2010(JLAAX)	52.8	40.1	7.6
Principal Life Time 2010(PENAX)	48.5	46.4	9.4
Fidelity Freedom 2010(FFFCX)	45.9	39.8	11.8
Putnam Retirement Ready 2010(PRXRX)	28.1	65.1	6.2
Wells Fargo Advantage DJ Target 2010(STNRX)	26.5	67.1	6.3
DWS Target 2010(KRFAX)	13.6	85.4	1.0



Key Fund Features

- Structure/Strategy
- Expenses
- Performance
- Risk
- Clause





Pros and Cons

Advantages	Disadvantages
<ul style="list-style-type: none">•One stop shop•3rd party expertise•Autopilot investments•Basic diversification	<ul style="list-style-type: none">•Diversification?•Possible risk return portfolio mismatch•Restricted asset choice•No obvious benchmark





Questions

