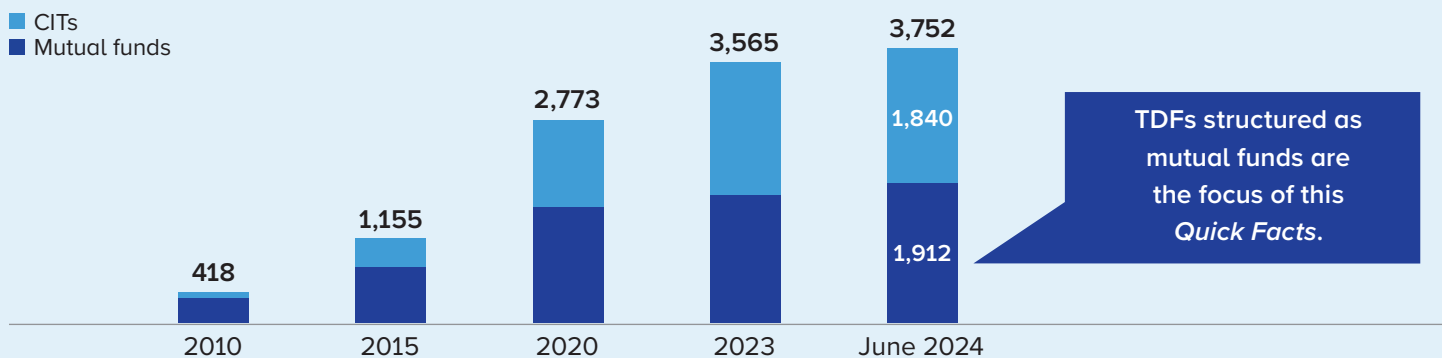


Quick Facts on Target Date Funds

Target date funds (TDFs) are a popular investment choice for retirement savers. They offer portfolios that are professionally managed, cost-effective, diversified among equities and bonds, and rebalancing over time as the fund approaches and passes its target date. This *Quick Facts* explores some of the data around TDFs and the features that make them so attractive to retail investors.

Target date fund assets have soared since their inception in 1994

Billions of dollars, year-end

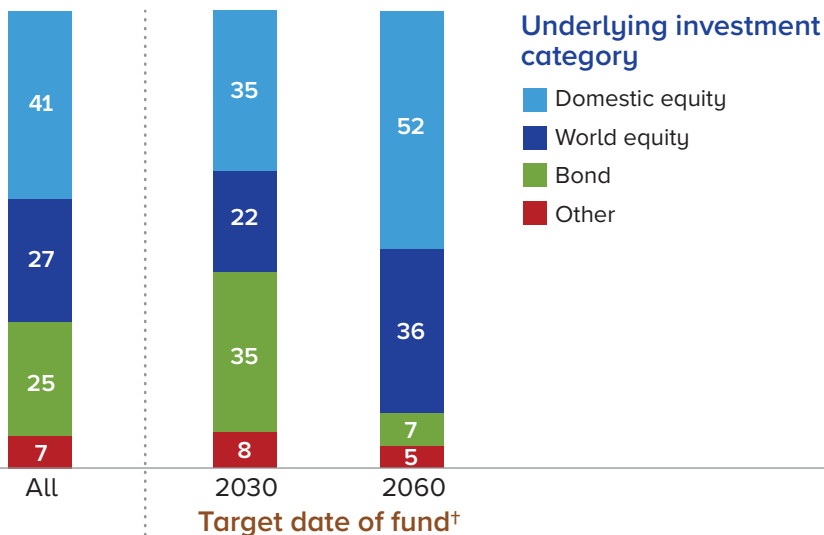


For sources, additional detail, and a full time series of data going back to 2000, download this [Excel file](#).

Key TDF Features Are Diversification and Rebalancing

Age-Appropriate Diversification

TDFs typically launch as a suite such that investors can choose a target date based on their expected retirement age. Investors get exposure to both domestic *and* international investments in different age-appropriate allocations.

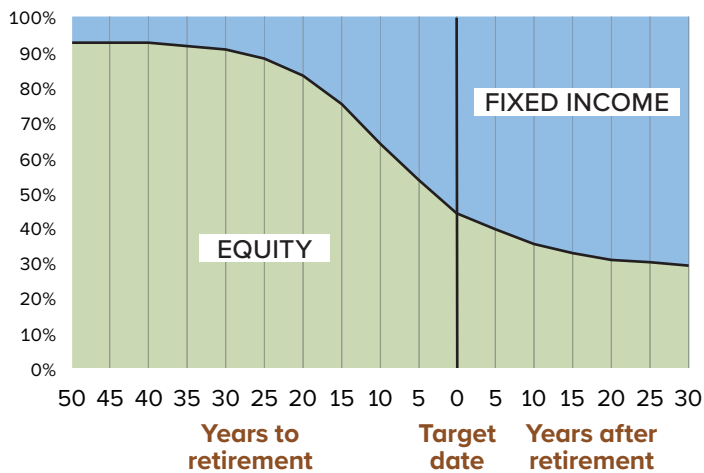


Glide Path That Adjusts the Portfolio over Time

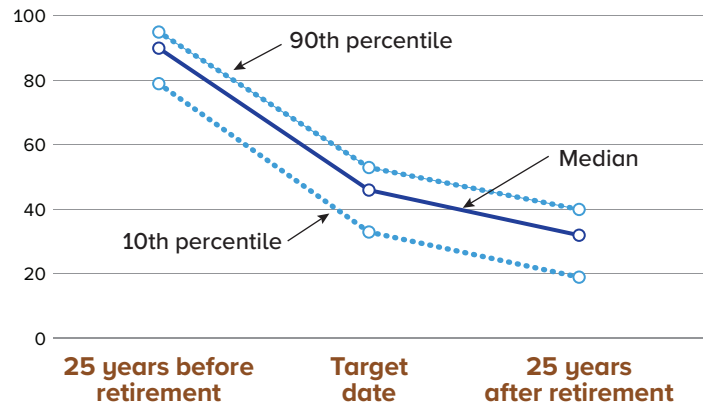
A key feature of a TDF is its “glide path.” This is the plan that the fund will follow to rebalance its portfolio as it approaches and passes its specified target date, which is usually included in the fund’s name. For the average mutual fund TDF, its glide path puts most of its assets (80 percent or more) in stocks when the fund is far from its target date. As the fund approaches and passes its target date, the proportion in stocks tends to fall, with increasingly more of the fund’s assets devoted to fixed income (bonds).

There is, however, no one single glide path. Reflecting different views on how best to accommodate retirement savers, glide paths vary between fund providers. Some choose glide paths that set early allocations to stocks (e.g., 25 years before the fund’s target retirement date) to nearly 100 percent of the fund’s assets, while others choose somewhat lower allocations. Glide paths also differ widely as they reach their target date—71 percent of mutual fund TDFs are “through” funds that continue to change their allocations for up to 30 years after the target date, while the remainder are “to” funds with allocations that no longer change after the target date.

The average mutual fund TDF glide path holds 44 percent of its assets in stocks at the target date...



...but different TDFs hold different amounts of stocks along their glide paths.

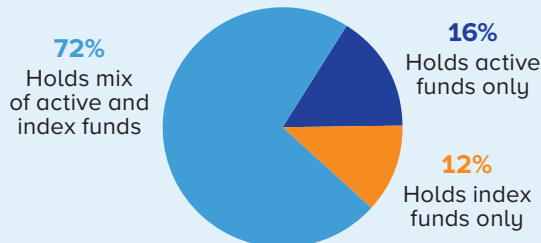


TDFs Offer Cost-Effective Access to Diversified Portfolios

TDFs are typically funds of funds, meaning they primarily hold other funds in their portfolios.

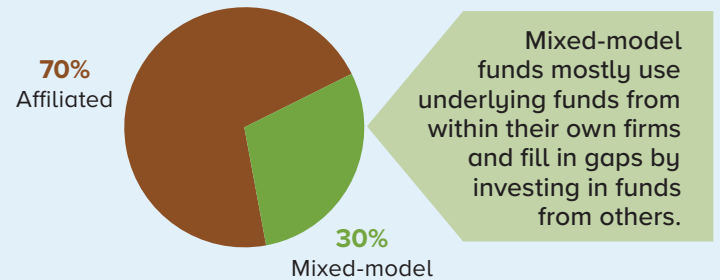
Mutual fund TDFs often invest in a mix of underlying active and index funds...

Percentage of TDFs[†]

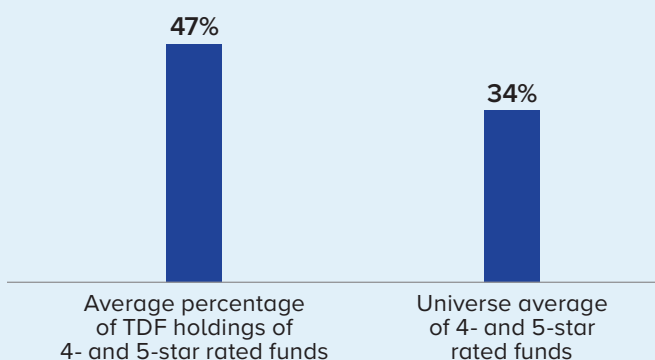


...from within the same investment complex (i.e., affiliated funds)...

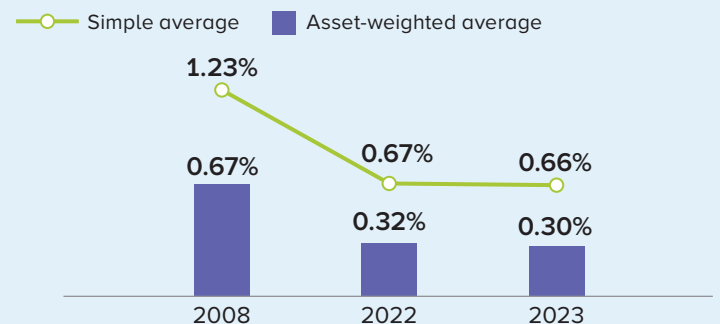
Percentage of TDFs[†]



...that tend to have higher Morningstar star ratings,* on average.†



And finally, competition (and economies of scale) have pushed mutual fund TDF expense ratios down substantially.



[†] Data centered around June 2024.

* Morningstar star mutual fund ratings (overall) are assigned based on a scale of one to five stars. Data exclude holdings of fund share classes with missing data for the overall star rating.

Sources: Investment Company Institute, Morningstar, Lipper, and publicly available SEC Form N-PORT data