

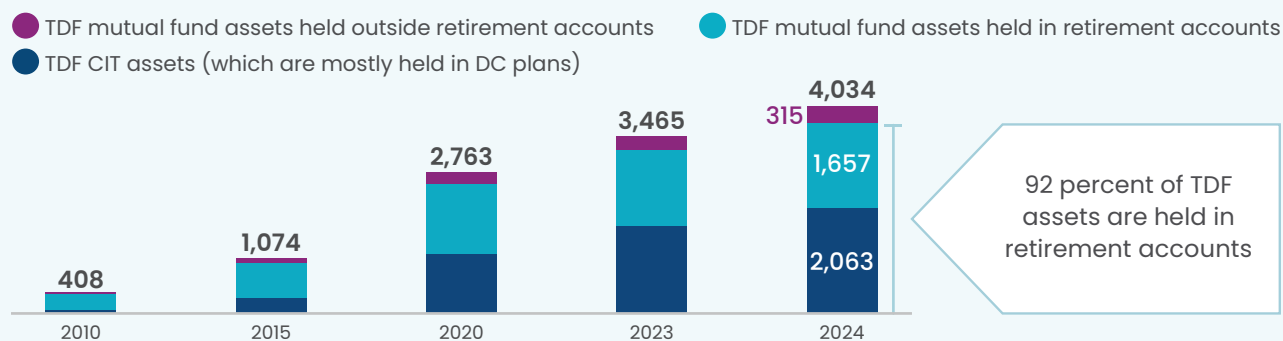
Quick Facts on Target Date Fund Use in Retirement Plans



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 their importance as an option in defined contribution (DC) plans, including 401(k) plans and individual retirement accounts (IRAs).

Retirement Savers Are Attracted to TDFs

Total net assets, billions of dollars, year-end



For sources, additional detail, and a full time series of data going back to 2000, [click here](#).

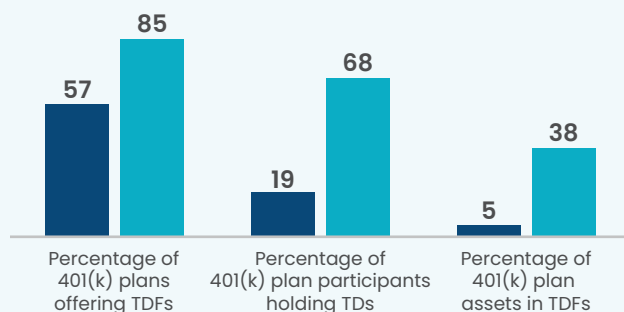
TDFs Are an Important Investment Option in 401(k) Plans

Use of TDFs in 401(k) plans has grown considerably since their introduction in 1994. Plan sponsors' offering of TDFs likely reflects recognition that not all 401(k) plan participants are do-it-yourself investors and that a complete asset allocation solution is helpful for many retirement savers. The inclusion of TDFs in retirement plans as a qualified default investment alternative (QDIA) beginning in 2007 has also contributed to this growth, although their offering and use is more widespread than automatic enrollment. Their inclusion as a QDIA also contributes to higher TDF participation by younger 401(k) plan participants.

TDF usage in 401(k) plans has increased over time...

Year-end

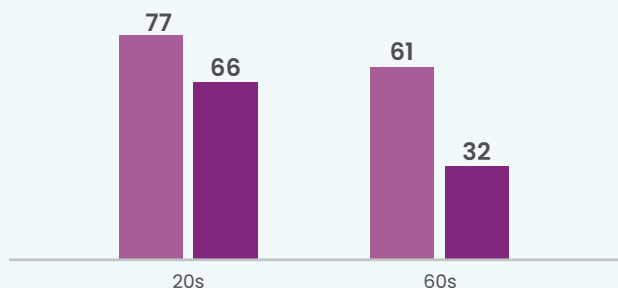
● 2006 ● 2022



...and younger 401(k) plan participants use TDFs more.

Year-end 2022

● Percentage of 401(k) plan participants holding TDFs
● Percentage of 401(k) plan assets in TDFs

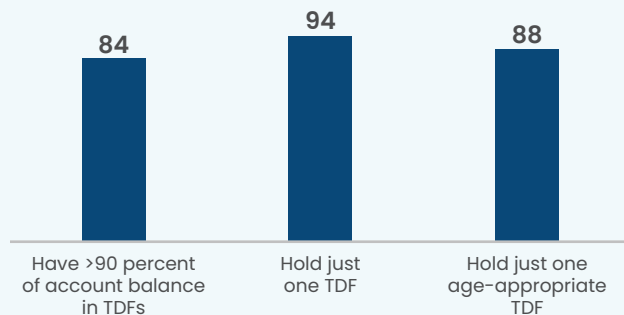


401(k) Plan Participants Use TDFs Appropriately

Some policymakers have questioned whether retirement plan participants use TDFs appropriately. EBRI/ICI analysis of 401(k) plan TDF investors finds that the vast majority of them are holding one age-appropriate target date fund. TDFs—by virtue of having different target dates—offer a range of glide paths that have varying exposure to stocks and bonds. Retirement plan participants can select the target date and corresponding glide path with which they are most comfortable. Policymakers have also questioned whether TDFs allocate too much to stocks as they approach and pass their target dates. The data show that older 401(k) plan investors approaching retirement ages often choose age-based allocations to equities that mirror TDF glide paths, demonstrating that current TDF glide paths align with investor preferences.

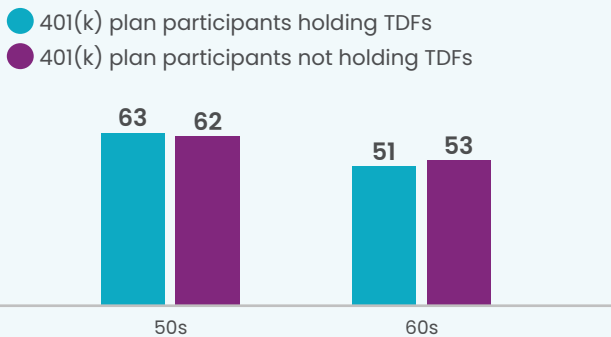
401(k) plan TDF investors use them appropriately...

Percentage of 401(k) plan TDF investors that:[†]



...and older 401(k) plan investors value equity exposure.

Equity share of 401(k) account balance, year-end 2018



[†] Data on share of account balance in TDFs is year-end 2022. Data on holding just one TDF are from EBRI/ICI analysis of 401(k) plan target date fund investors in 2018.

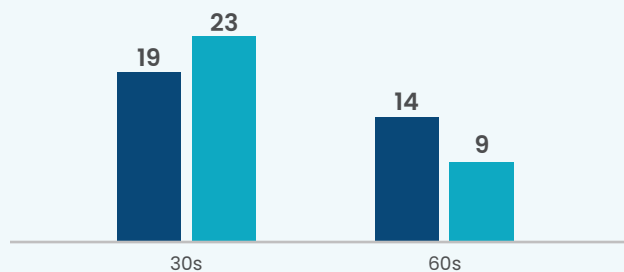
IRA Investors Also Hold TDFs

Although TDFs are predominantly held in DC plans, some IRA investors value the features of a TDF. Like 401(k) plan participants, IRA TDF investors tend to concentrate their accounts in TDFs and hold just one TDF.

TDFs are also held by traditional IRA investors who tend to be younger...

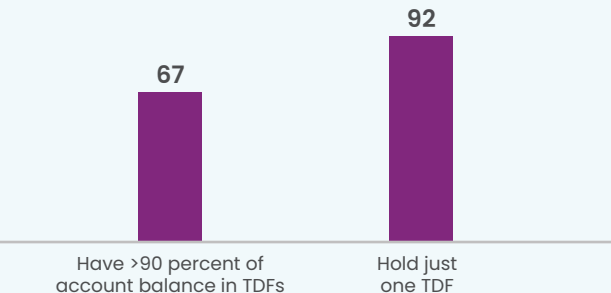
Year-end 2022

- Percentage of traditional IRA investors holding TDFs
- Percentage of traditional IRA assets in TDFs



...and like 401(k) plan investors, traditional IRA TDF investors use them appropriately.

Year-end 2022



Sources: Investment Company Institute; Morningstar; and tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project and The IRA Investor Database™