

The Personalization of 401(k) Investments



Personalization

VS

Customization



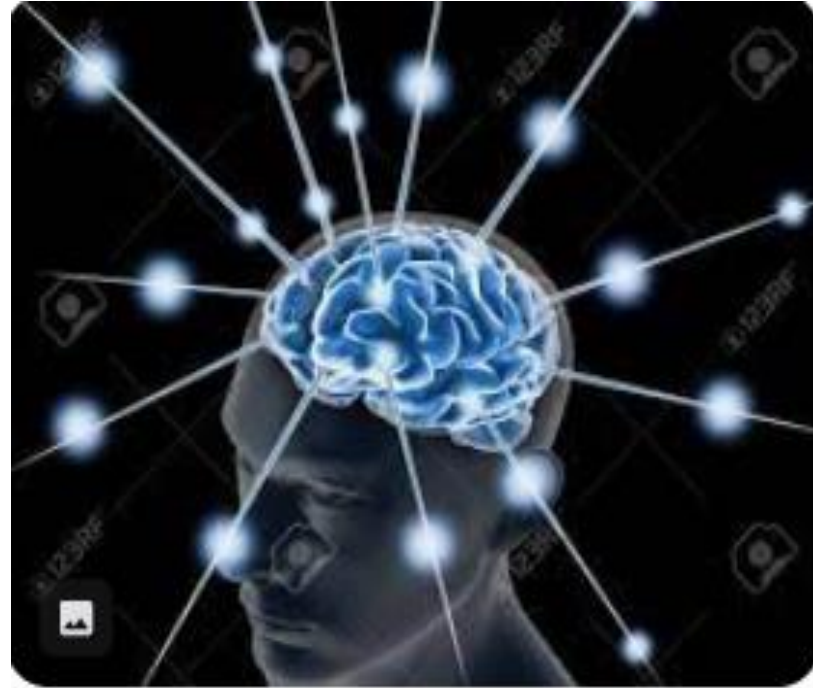
A Brief Update on Managed Accounts and Personalized Target Date Accounts



Customization is the current revolution.
Should recordkeeper data be used to personalize?

An Article and a Survey

The Challenge



Creating a Qualified Default Investment Alternative (QDIA) that actually thinks on behalf of a participant

401(k) Specialist

Managed Accounts Can't Work for Defaulted 401(k) Participants

Because defaulted participants do not want to engage, you can't know what they need and want

 by Ron Surz · October 2, 2023 · 3 minute read



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PIMCO 2023 Defined Contribution Consulting Study

Perspective on Managed Accounts

Similar to age, recordkeeping systems contain additional participant data that can help personalize portfolios without requiring the costs and engagement associated with ongoing participant engagement

Most (55%) think recordkeeper data can help personalization



Participants regularly add and keep current personal data in managed account tools

But most (71%) think that data is not up to date



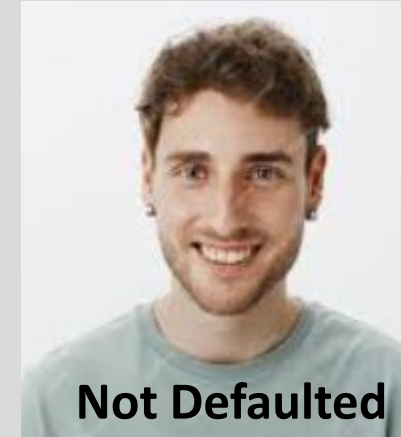
■ Strongly agree ■ Somewhat agree ■ Neither agree nor disagree ■ Somewhat disagree ■ Strongly disagree

Note: PIMCO provides myTDF as a QDIA that relies on recordkeeper data to personalize
By contrast, Soteria personalizes self-directed accounts and gives sponsors flexibility in their QDIA design

The 2 Faces of Soteria for Participants



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Plan sponsor chooses the QDIA using Soteria's framework with the following advantages:

- Choose risk level, even blends of a family of glidepaths
- Specify retirement date to the day, rather than grouping in 5- or 10-year cohorts
- Use best-of-breed investment funds rather than all proprietary as do most TDFs

Not a QDIA. Participants manage their own personalized accounts using Soteria:

- Choose risk level. Change anytime.
- Choose retirement date. Change anytime
- Get best-of-breed investments.

Facing The Challenge



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- Support self-directed people because they want to think.
- Leave the target date fund design with plan sponsors, & provide them lots of flexibility in customizing the QDIA