What are the objectives for target date funds? What should they be? Who decides? Who Cares?

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To be sure of hitting the target, shoot first and call whatever you hit the target.

Objectives for target date funds (TDFs) have been promulgated by the investment firms that provide them, and they are twofold: manage longevity risk and replace pay. But neither of these objectives can be taken seriously in a set-it-and-forget-it-one-size-fits-all investment product. Both pay replacement and longevity risk are mostly reliant upon savings, which cannot be affected by a TDF. Every participant comes into a TDF with their own unique savings and mortality. One-size-fits-all cannot react to this uniqueness. At best it can only deal with averages. Who is average?

So what can TDFs really do? They can bring participants safely to the target date with accumulated contributions intact, and they can also grow assets to at least keep pace with inflation. Attempts to do more come at a risk that fiduciaries should not take, which brings us to the 3rd question.

Who should decide on objectives? Fiduciaries should decide and they should do so with their wallets. It is in fact their responsibility and their liability. Current TDF practices of 20-70% in equities at the target date come with substantial fiduciary risk, and absolutely no fiduciary reward. It's a lose-lose. We've provided a service to compare your current TDF risk exposure to what we consider to be safe at TDFAllocator . It's a fun interactive tool that you'll enjoy: Is my target date fund too risky?

Who cares? Beneficiaries.

What are your thoughts?

Objectives: Neither longevity risk nor pay replacement can be managed by a glide path

Best Practices	Current Practices
1) Safety First: Lose no money 2) Risk Controlled Growth	Growth to Death (Longevity risk) &/or Pay Replacement

Policies: Accumulation only is the best policy – end at target date.

Best Practices	Current Practices
Liability-driven investing	Win the performance race
Mostly Passive	Closed Architecture, Mostly Active
Broad diversification: World	US-centric mostly stocks
Low costs	High fees and sales commissions
Financially engineered glide path	Ad hoc rules, like "some # minus age"