The Ideal Target Date Fund:

Improve Retirement Income Outcomes.

BE MEANINGFULLY BETTER

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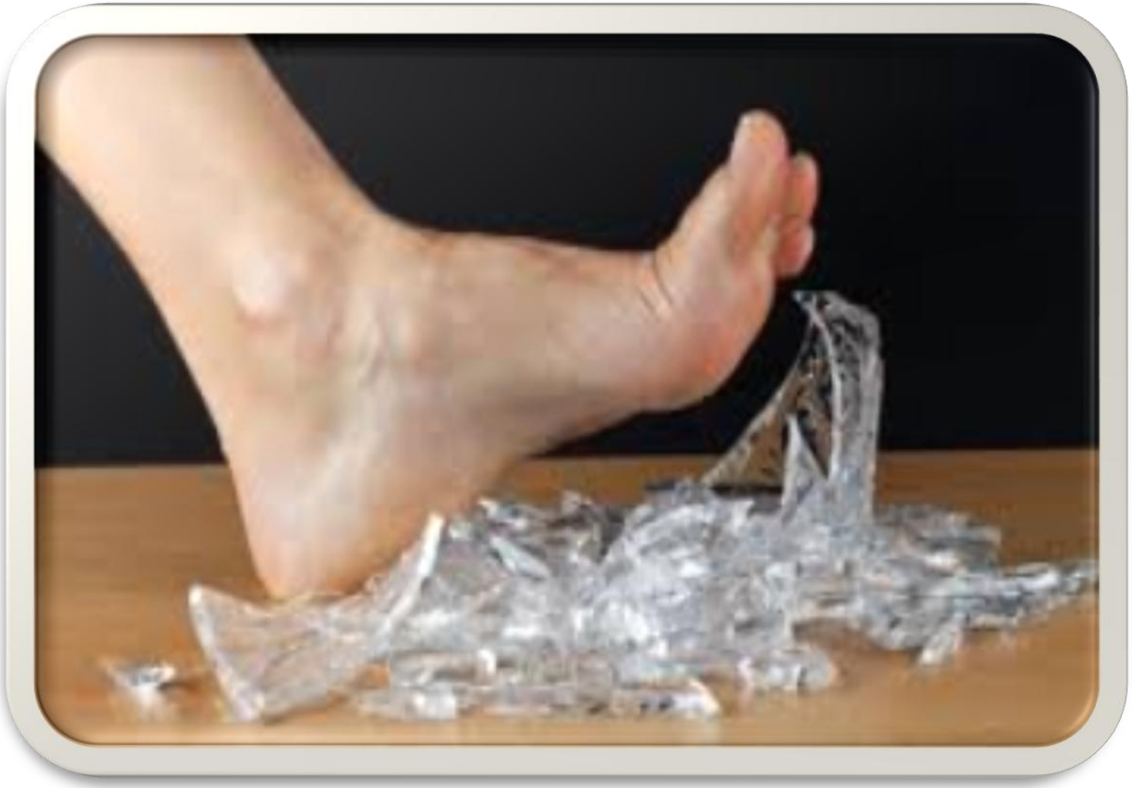
SUB-ADVISOR OF SMART TDF INDEX

HAND BENEFITS & TRUST, A BPAS COMPANY

The 3 Biggest Problems With Target Date Funds

TDFS CAN & SHOULD BE BETTER



1) One-size-fits-all

Beneficiaries have unique needs and wants.

This is the one problem that is acknowledged by everyone. Providers have tried to solve the problem with Custom TDFs and “Hybrid TDFs” that roll old people out of TDFs and into Managed Accounts.

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2) High Risk

Significant Risk of Loss Near the Target Date.

Average equity allocations are 55% near the target date. This is the allocation that lost more than 30% in 2008, & TDFs are riskier today.

There is a Risk Zone spanning the 5-10 years before and after retirement when losses are especially harmful because accounts are at their highest level.

75 million Baby Boomers are in the Risk Zone.

TDS Target Date Solutions

3) Expensive

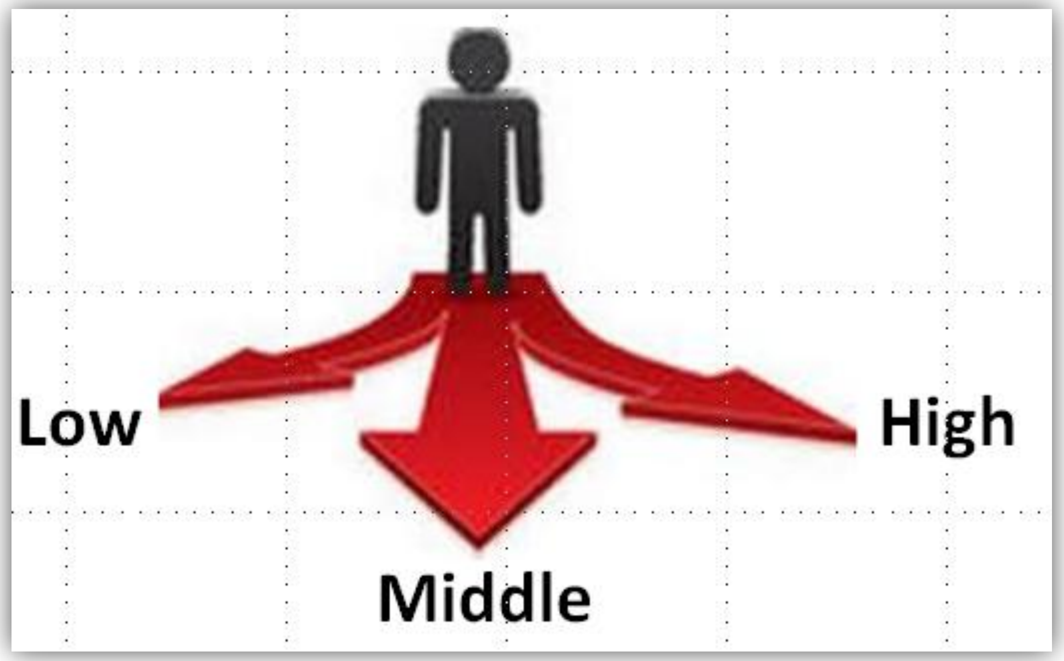
Average fee is 65 bps.

Pressured by successful lawsuits, and bolstered by the appetite for passive investing, fees have come down from 90 bps.

But the "Ideal" TDF can be provided for less than 20 bps.

The Ideal

ANSWERS TO THE 3 PROBLEMS

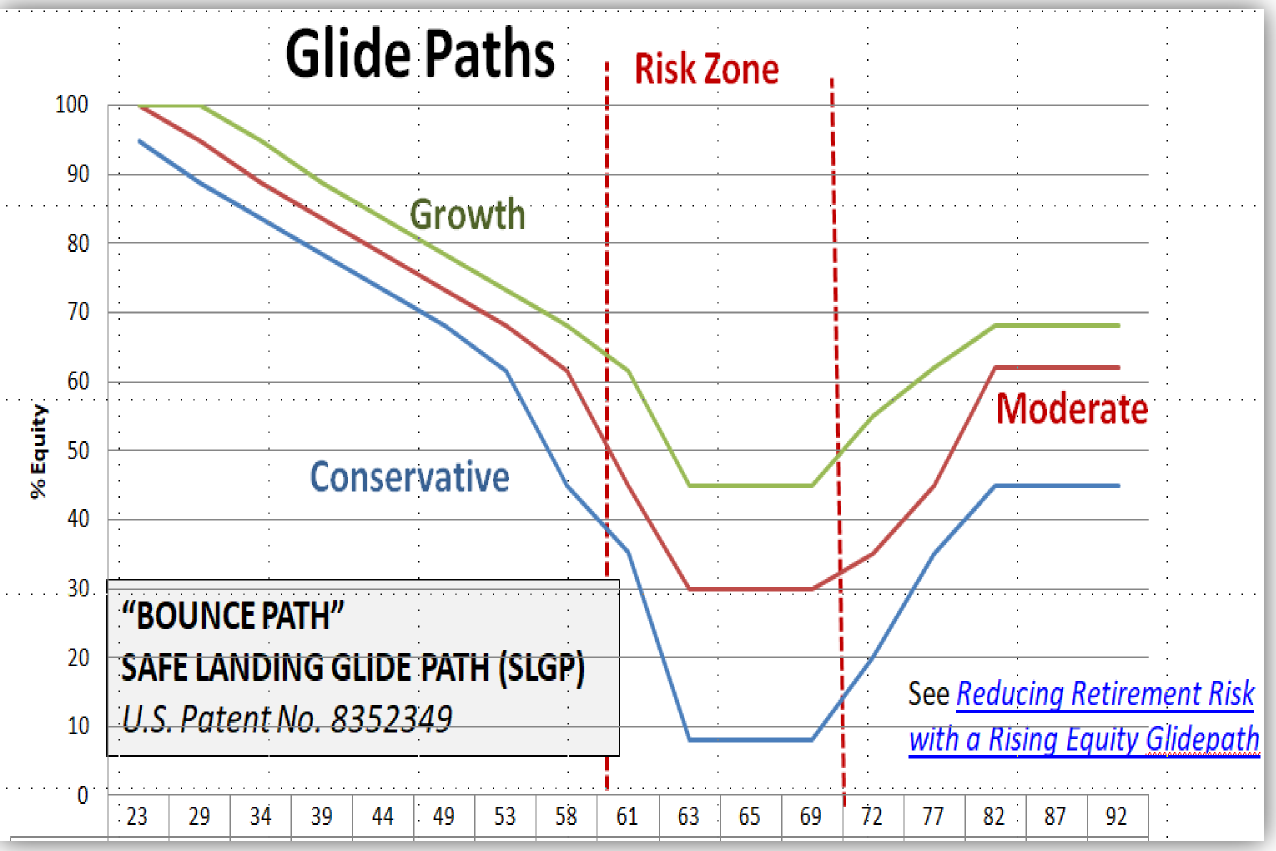


1) One-size-fits-all

Personalized Target Date Accounts

Beneficiaries have 3 choices of TDF glide path: low, middle or high risk. The default QDIA is low risk. Non-defaulted participants can change their risk selection at will.

The recordkeeper is the key, transacting to move each participant along their selected path.



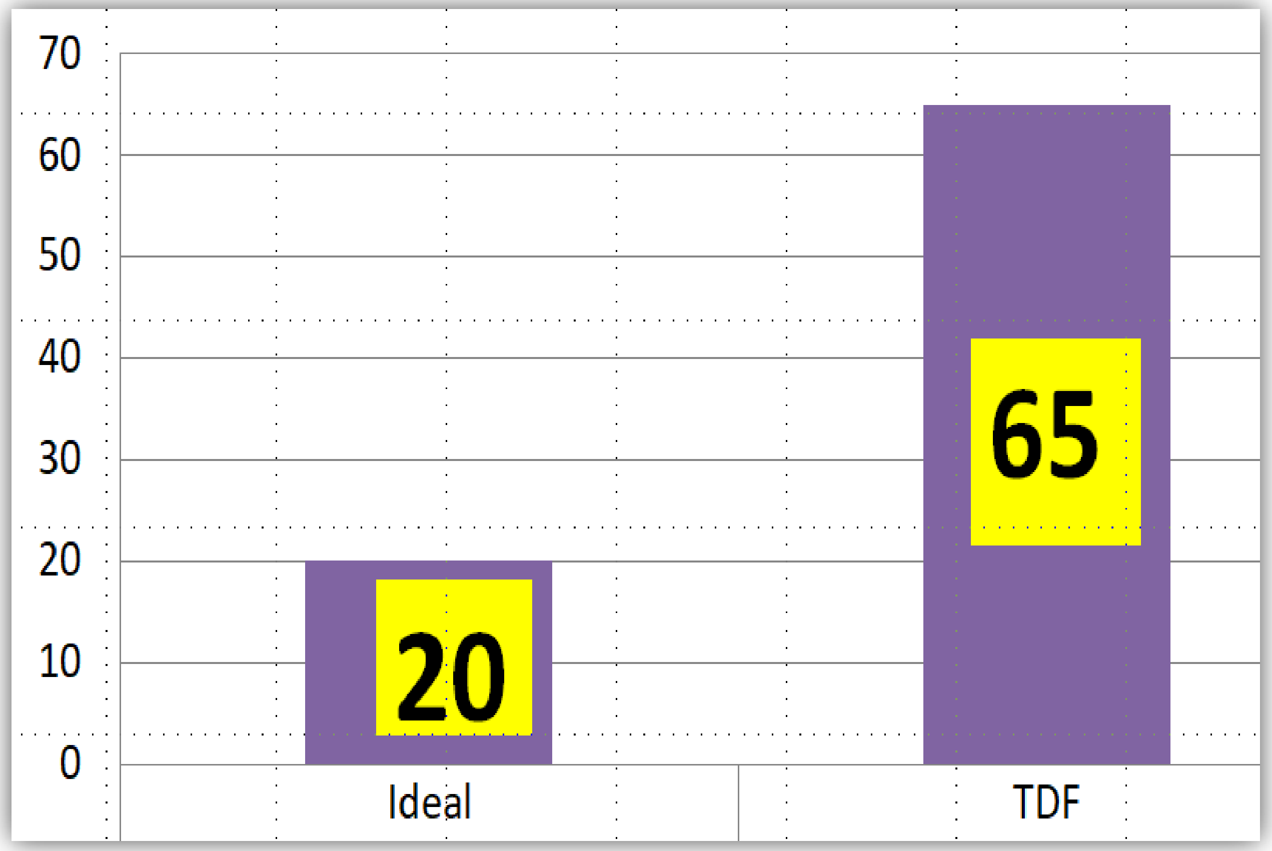
2) High Risk

U-shaped glide paths protect near the target date.

Default QDIA (Conservative) is 8% equity at the target date. Moderate is 30%, and Growth (Aggressive) is 45%. Industry average is 55%.

All paths re-risk in retirement to extend the life of investments. All are globally diversified.

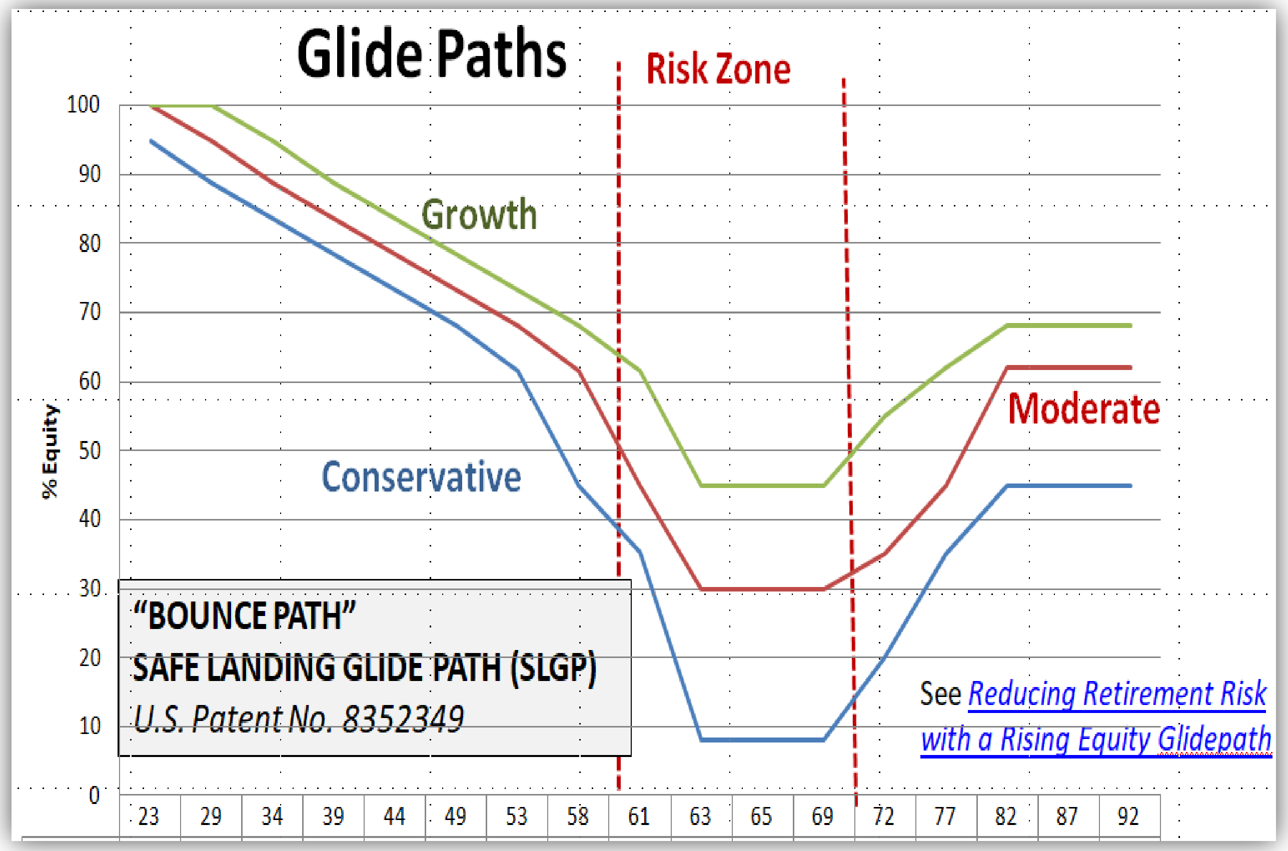
TDS Target Date Solutions



3) Expensive

Fee for the Ideal Can be Reduced Below 20 bps.

The use of “Accounts” rather than “Funds” removes the expenses associated with maintaining mutual funds and collective investment funds, like registrations, audits, etc.



More on the U-shaped Glide Paths

SAFETY IN THE RISK ZONE

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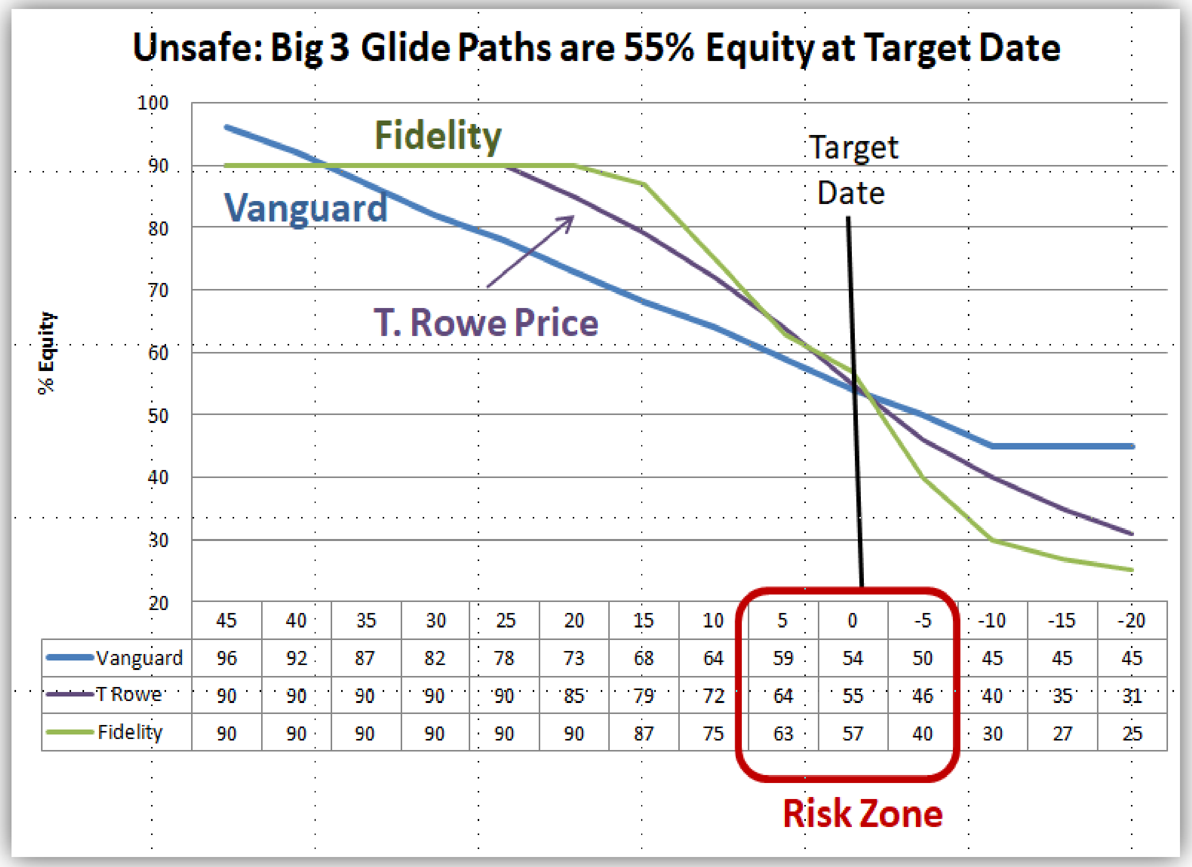
Risk Has Different Meaning for Different Ages

Sequence of Return Risk

Losses During the Transition From Working Life to Retirement Can Devastate Lifestyles

There is a time in all of our lives when the timing decision is easy, although most don't know about it. It's a time when a special kind of risk is at its highest and that risk could ruin our lifestyle for the rest of our life **because our savings are at their highest**. Unless we feel exceptionally lucky we really should move to safety during the Risk Zone that spans our transition from working life to retirement when Sequence of Return Risk peaks.

Big 3 Are Dangerous



	45	40	35	30	25	20	15	10	5	0	-5	-10	-15	-20
Vanguard	96	92	87	82	78	73	68	64	59	54	50	45	45	45
T Rowe	90	90	90	90	90	85	79	72	64	55	46	40	35	31
Fidelity	90	90	90	90	90	90	87	75	63	57	40	30	27	25

Equity allocations are 55% in the Risk Zone.

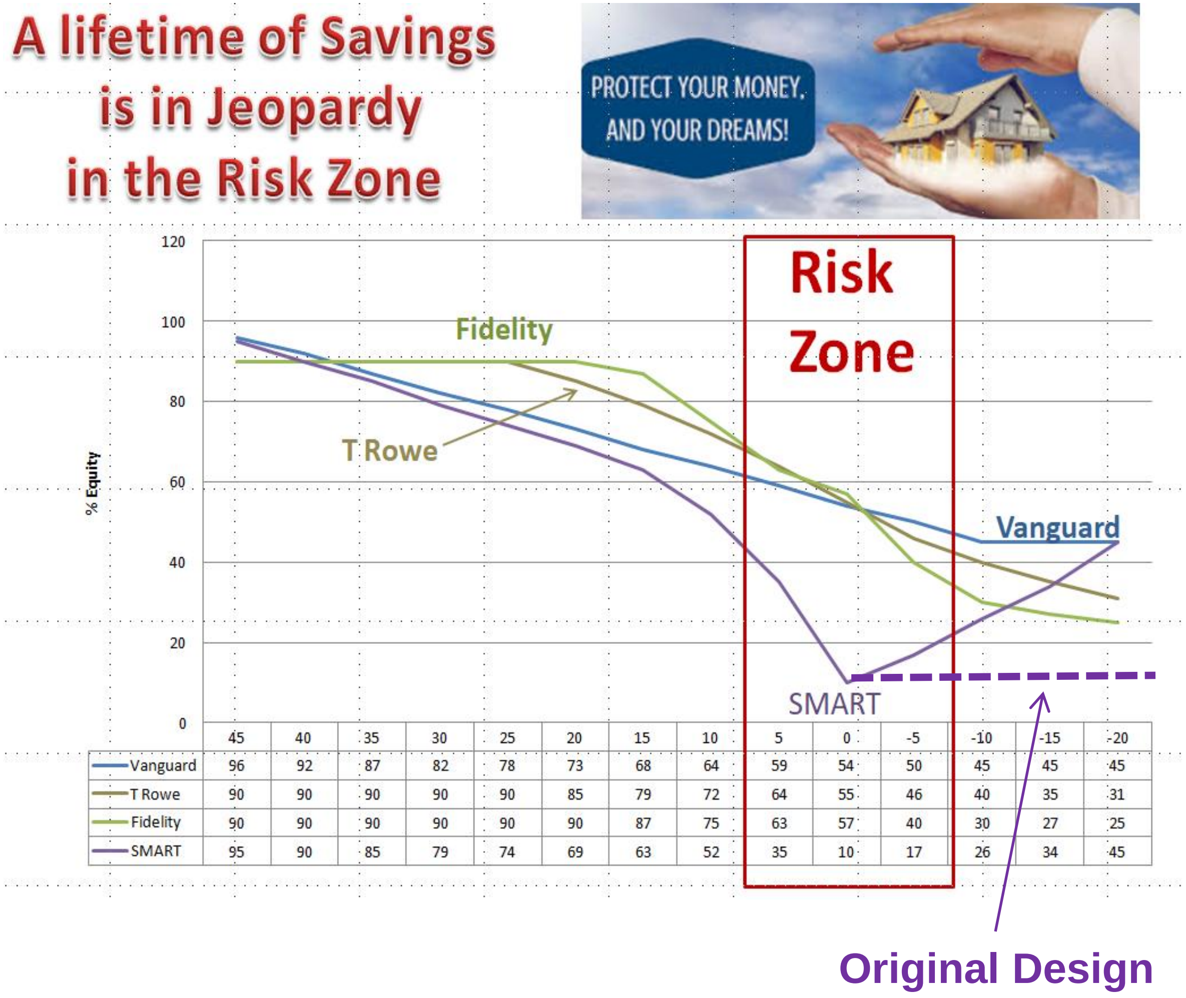
Profits are the motive. Risk earns higher fees, & wins the performance horse race.

Justified as “medicine” for inadequate savings.

It’s win-win for fund companies because they get paid even if there are losses.

Fiduciaries choose to ignore the risk, & to view popularity as a safe harbor. Beneficiaries want to be protected but are not.

TDS Target Date Solutions



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T Rowe	90	90	90	90	90	85	79	72	64	55	46	40	35	31
Fidelity	90	90	90	90	90	90	87	75	63	57	40	30	27	25
SMART	95	90	85	79	74	69	63	52	35	10	17	26	34	45

Protecting in the Risk Zone

SMART allocations are 10% at the target date.

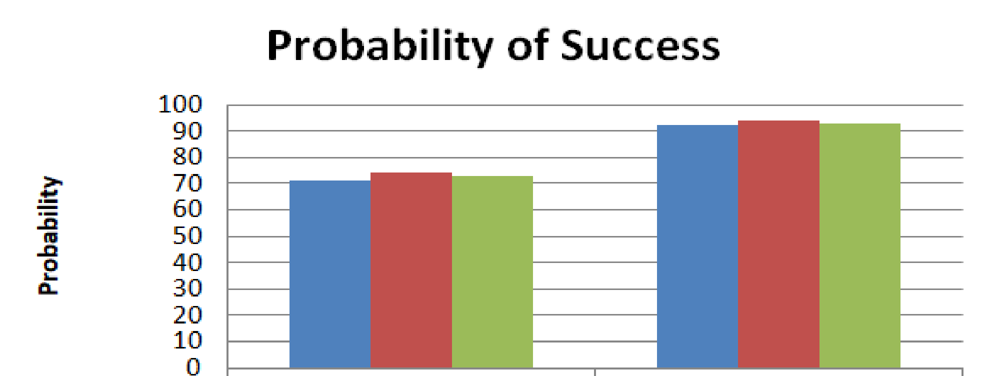
Original design was flat 10% in retirement

Critics said retirees couldn't live on T-bills

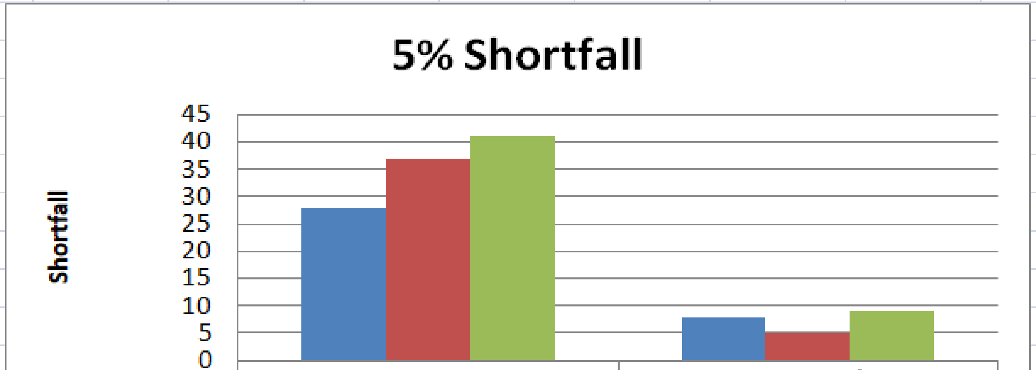
Re-risking in a "Bounce Path" extends the life of assets

Academic Research justifies re-risking (see next slide).

TDS Target Date Solutions



	Current	Historical
SLGP 10-40	71	92
Vanguard 50	74	94
60/40	73	93



	Current	Historical
SLGP 10-40	28	8
Vanguard 50	37	5
60/40	41	9

Academic Research Supports Increasing Risk in Retirement

Same probability of success with better protection

Dr Wade Pfau Ph.D and CFA, is Professor of Retirement Income at the American College of Financial Service

Michael Kitces MSFS, MTAX,CFP, CLU, ChFC, RHU, REBC, CASL, is a highly regarded financial planner who holds Masters Degrees in Financial Services and Taxation, plus extensive professional designations

Reducing Retirement Risk With a Rising Equity Glidepath.

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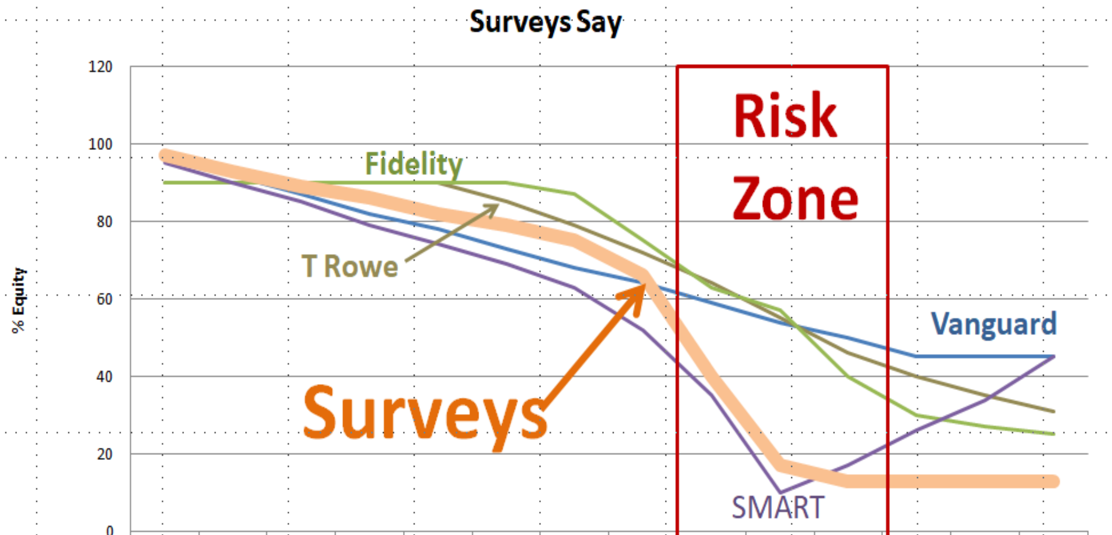
Surveys of Beneficiaries and Consultants Report a Strong Preference for Safety in the Risk Zone



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SMART	95	90	85	79	74	69	63	52	35	10	17	26	34	45
Survey	97	93	89	86	82	79	75	66	40	17	13	13	13	13

Surveys Report Preference for Safety

Beneficiaries & Consultants Want Protection

MassMutual Retirement Savings Risk Study examines beneficiary risk preferences in 401(k) plans.

Pacific Investment Management Company (PIMCO) conducted another survey entitled the “2018 12th Annual DC Consulting Support & Trends Survey”,

Let's Discuss the Ideal

New Topic

THE OTHER PROBLEMS WITH TDFS

3 More Problems That the Ideal Cannot Fix, but Lawsuits May

TDFS CAN & SHOULD BE BETTER

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Well-intentioned, But Misinformed, Fiduciaries Are Breaching Their Duty Of Care

QDIA is the **Form** of a Safe Harbor.

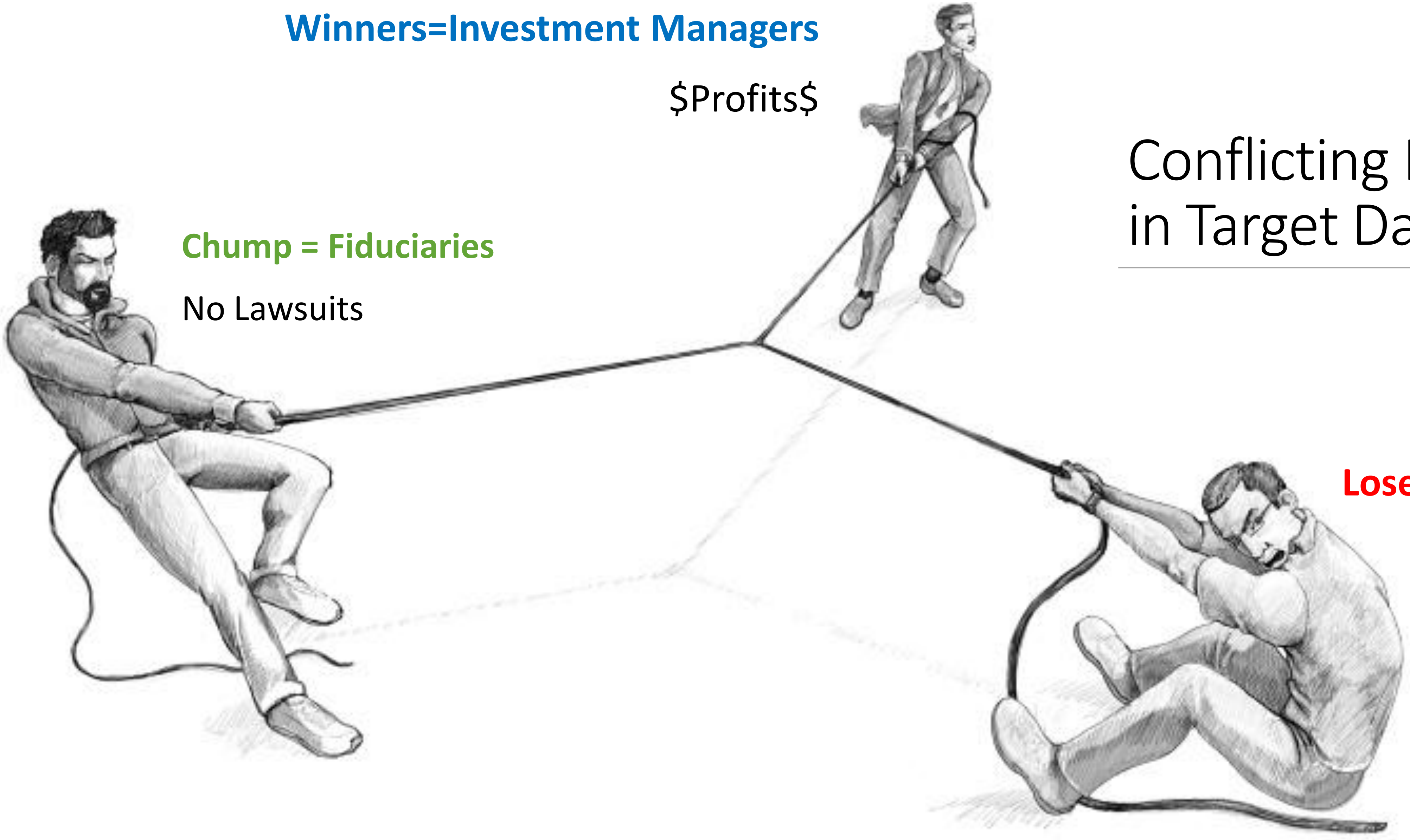
The **Substance** must be diligently selected. Fiduciaries cannot throw darts at the QDIA dartboard.

Well-intentioned, But Misinformed, Fiduciaries Are Breaching Their Duty Of Care

Choosing the Oligopoly may seem safe, and it might be if they provided the best TDFs. But there are better choices.

Popularity is not synonymous with prudence.

Conflicting Interests in Target Date Funds



Winners=Investment Managers

$Profits$

Chump = Fiduciaries

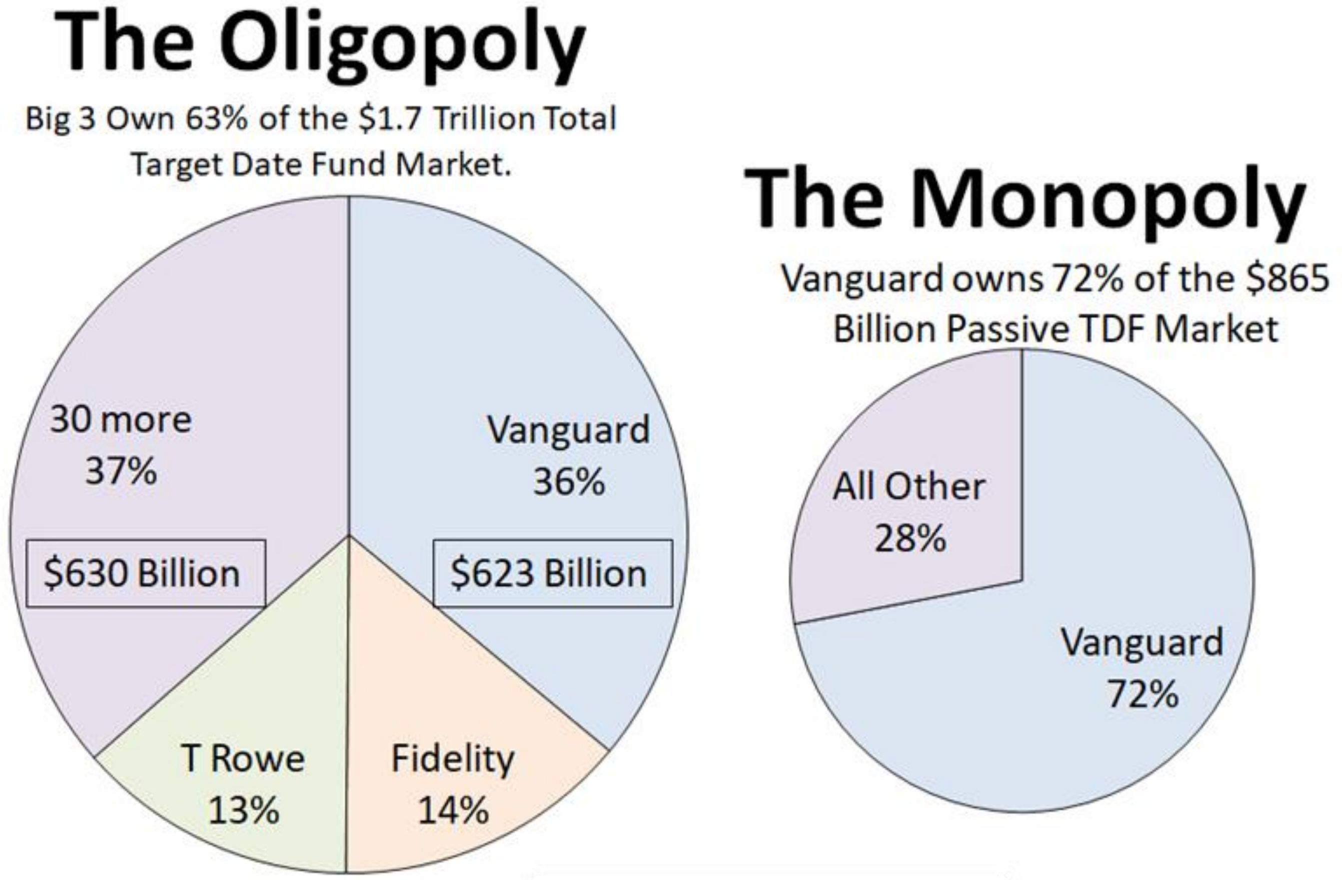
No Lawsuits

Losers = Beneficiaries

Safety & Growth

Bundled Service Providers Own the Industry: It's a Dangerous 3-Provider Bubble

Note: These providers are not fiduciaries, except their Collective Investment Trusts.



BeBold

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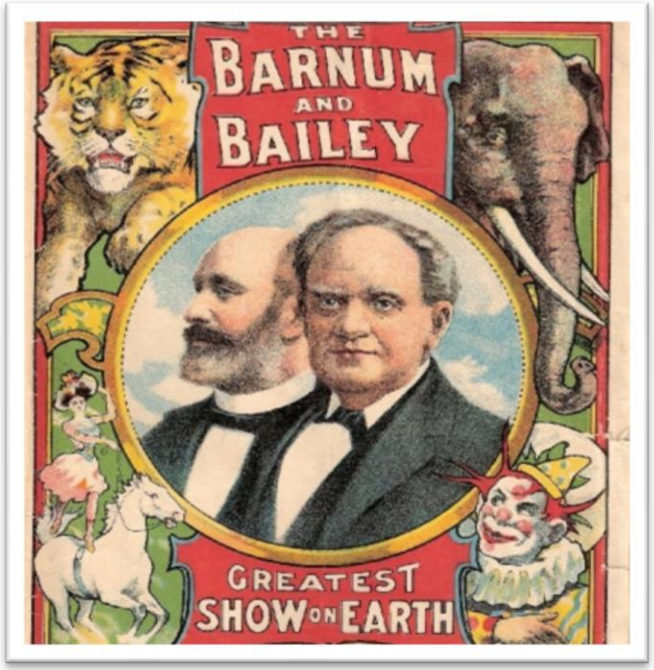

"No one ever made a difference by being like everyone else."

PT Barnum

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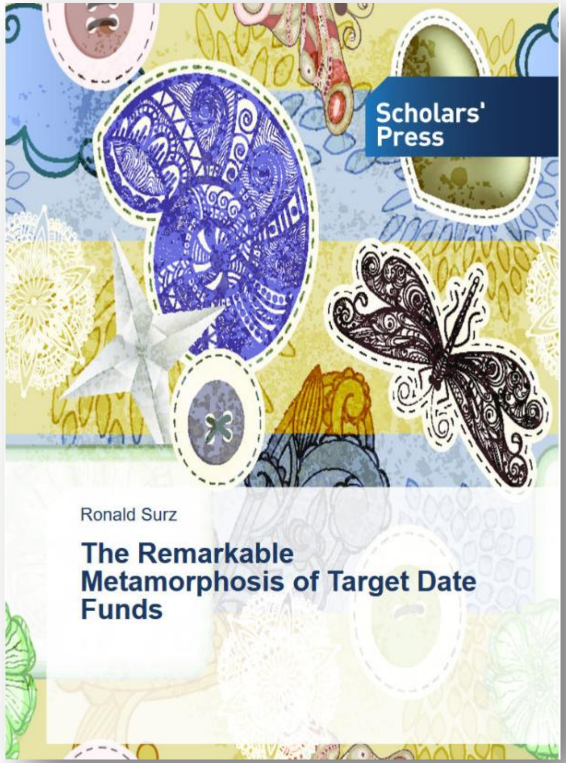

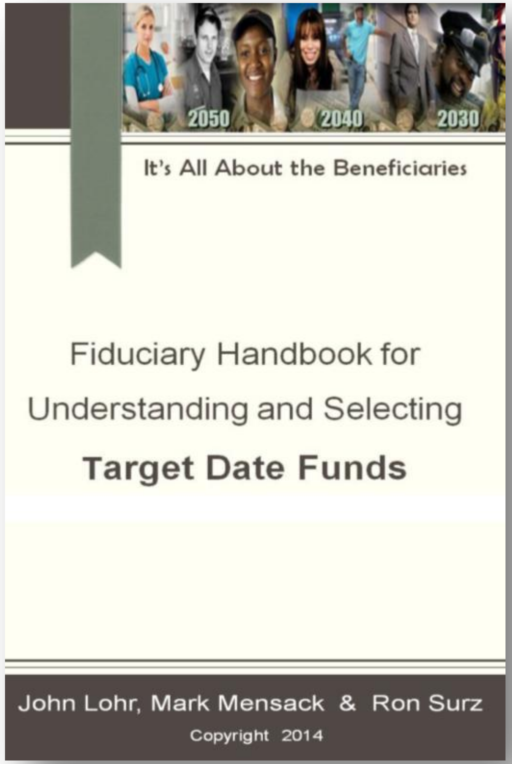

Recommended Books

How to contact Ron

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