



Target Date Fund Objectives Are Duplicitous So Objective-Based Investing is Convolutud

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- ERISA attorneys and the DOL encourage fiduciaries to align plan objectives with TDF prospectus objectives, so I've assembled internet links to most fund prospectuses for you.
- The prospectuses reveal that TDFs have two types of objectives, a boilerplate for regulators in prospectuses and marketing hype in brochures. Both are similar across TDFs.
- Brochure objectives are financial whereas prospectuses contain return objectives. **The only bridge that can connect these two is adequate savings, which is problematic.**

What are the objectives for your target date fund? Good chance your fund provider has told you that they are to (1) replace pay and (2) manage longevity risk. But that's not what TDF providers say in their official documents, namely their prospectuses. Most TDFs have the same stated objectives in their prospectuses. They read something like this boilerplate: "Provide capital appreciation and current income consistent with its asset allocation." Importantly, these are not the phony objectives that appear in sales presentations.

ERISA attorneys and the DOL encourage fiduciaries to research their TDF selection by reading the prospectuses, and by seeking TDF objectives that are in line with the objectives of the plan. The table below provides links to TDF prospectuses, and the statement of objectives that is in those prospectuses. As you can see, the stated prospectus objectives tell us very little and are quite similar. These real objectives are not helpful in differentiating offerings. Only a few come close to what I think are the appropriate objectives: to (1) preserve the purchasing power of participant assets, and (2) grow assets as much as possible without jeopardizing the primary preservation objective.

The objectives in sales brochures are not in prospectuses because the right course of action for achieving brochure goals is to save enough. If an investor has not saved enough, as is the usual case, replacing pay and managing longevity risk are mere hopes. An objective without a reasonable likelihood of achievement is a mere hope, a phony. For more details, please see [Current Practices](#).

It's like maintaining two books of accounting records, one for taxes and the other for investors. TDFs have two sets of objectives, one for regulators and the other for investors. Fund companies might say that brochure objectives are financial, whereas prospectus objectives pertain to investment performance, but the only bridge between these two is adequate savings, an unlikely condition.

Click to open Prospectus	Objective
SMART Index - Hand B&T	(1) preserve the purchasing power of participant assets, and (2) grow assets as much as possible without jeopardizing the primary preservation objective
John Hancock Ret Choice	High total return until the fund's target retirement date, with a greater focus on income as the target date approaches
Allianz	Capital growth and preservation consistent with its asset allocation
JP Morgan	High total return with a shift to current income and some capital appreciation over time as the Fund and some capital appreciation over time as the Fund approaches target date
PIMCO	Maximize real return, consistent with preservation of real capital and prudent investment management.
Wells Fargo	Seeks to approximate, before fees and expenses, the total return of the Dow Jones Target Index.
USAA	Capital appreciation and current income consistent with its current investment allocation
TIAA-CREF	High total return over time through a combination of capital appreciation and income
Vanguard	Provide capital appreciation and current income consistent with its asset allocation

<u>Voya</u>	Total return, moving to a greater emphasis on current income and inflation protection
<u>Principal</u>	Total return consisting of long-term growth of capital and current income
<u>American Century</u>	The fund seeks current income. Capital appreciation is a secondary objective.
<u>Fidelity Index</u>	Seeks high total return until its target retirement date
<u>T Rowe Price</u>	Seeks the highest total return over time consistent with an emphasis on both capital growth & income
<u>Alliance Bernstein</u>	The Strategy seeks the highest total return over time consistent with its asset mix
<u>Great West L1</u>	Capital appreciation and income consistent with its asset allocation
<u>Blackrock</u>	Provide for retirement outcomes based on quantitatively measured risk
<u>John Hancock Ret Living</u>	High total return through its target retirement date, with a greater focus on income beyond that date
<u>Fidelity</u>	Seeks high total return until its target retirement date
<u>Great West L2</u>	Capital appreciation and income consistent with its asset allocation
<u>Great West L3</u>	Capital appreciation and income consistent with its asset allocation
<u>Franklin Templeton</u>	Long-term total return consistent with its asset allocation.
<u>State Farm</u>	Broadly diversified across global asset classes, with asset allocations becoming more conservative over time
<u>American Funds</u>	Seeks to balance total return and stability over time