A mind trick that isn't fooling anybody

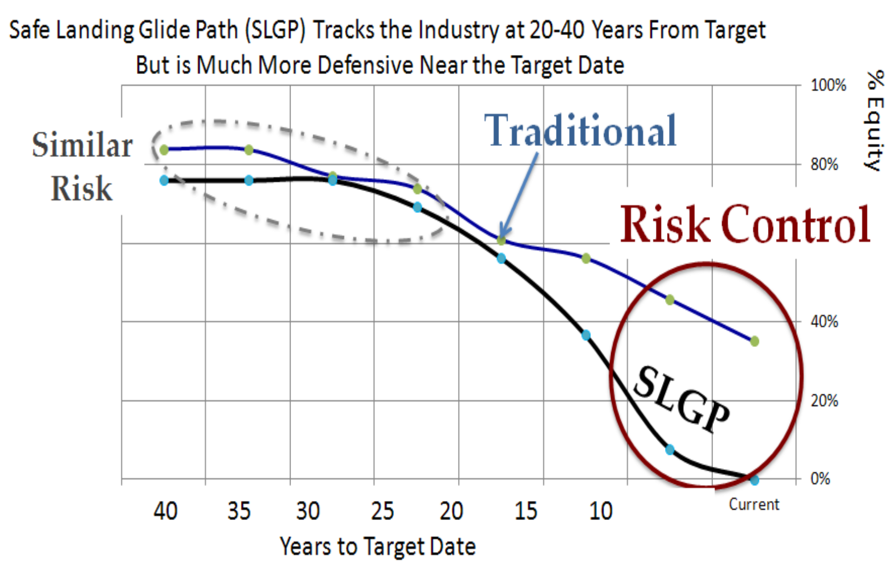
Despite their popularity, target date funds (TDFs) are in need of serious reform. Sensible objectives should supplant the current foolishness. The current objectives of replacing pay and managing longevity risk are unrealistic, and lead to excessive risk near the target date. 2008 demonstrated the shortcomings of TDFs, but little has changed. Quite the contrary, the industry has forgiven itself for 2008's losses by noting that these losses were subsequently recovered. "Forget 2008" is the industry's Jedi mind trick (Star Wars Chapter 1, 1977). Fiduciaries are not falling for this insult to their intelligence. Rather "Remember 2008" has become the battle cry for positive change.

Contrary to popular belief, TDFs do not protect the vulnerable from equity loss (even though they should). Most participants in TDFs are defaulted into this product, which means that most participants rely upon their employers to do the right thing by protecting participant assets, especially near retirement (even though they are not).

Fiduciaries are duty bound to seek solutions rather than settling for high-risk products that are oblivious to history, especially 2008. Ignoring the past and hoping it's different the next time is not an option, and it's certainly not an enlightened view of risk management. Because they are defaults, TDFs are employer-directed rather than participant directed, so a high duty of care applies. Fiduciaries are obligated to actually vet their TDF selections and to establish objectives that are truly beneficial for employees— objectives such as:

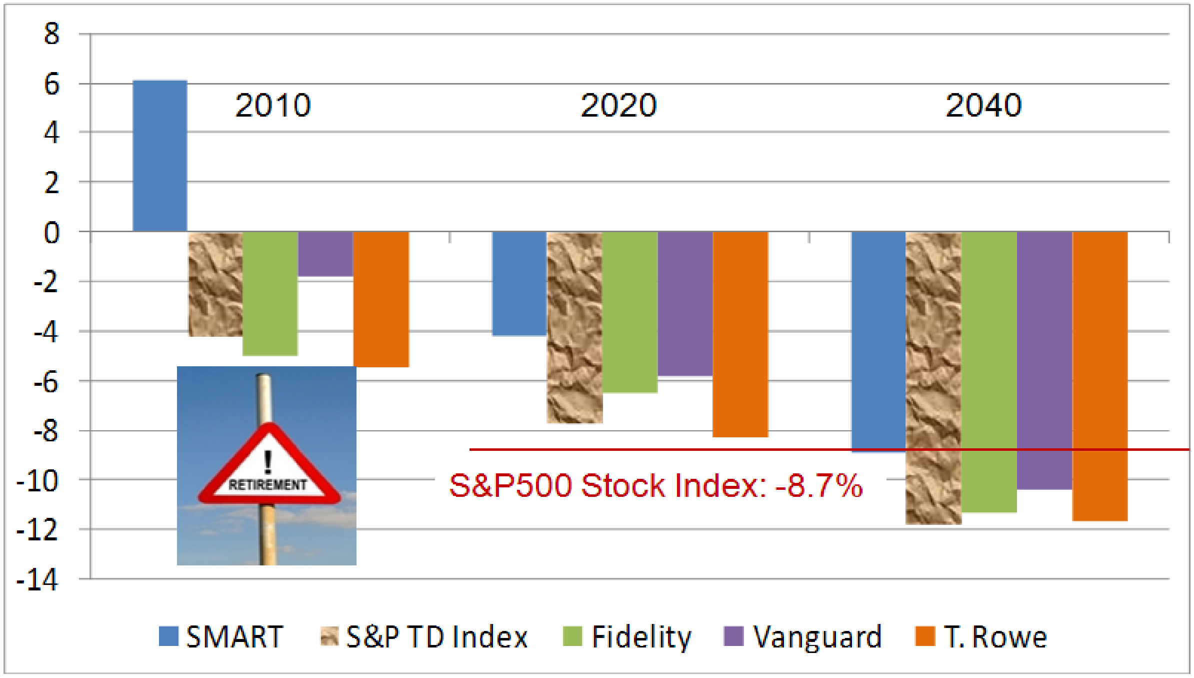
1. Do not lose participant money, and
2. Earn as much as you can, but don't lose participant money.

These straightforward and meaningful objectives call for a "Safe Landing Glide Path" (SLGP) that differs from current practice as the target date nears, as shown in the graph on the right. The time for reform is now. See **The Sad Comedy of Target Date Funds**

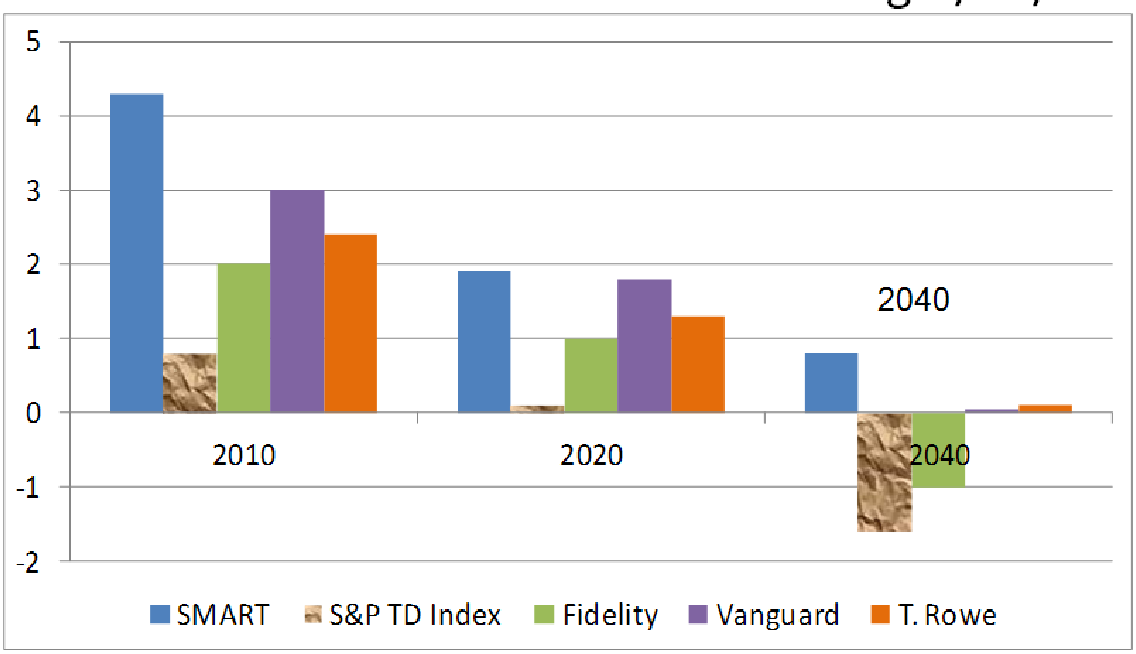


SMART Funds® Follow the Safe Landing Glide Path

Returns for the 9 Months Ending 9/30/2011



Annualized Returns for the 5 Years Ending 9/30/2011



SMART track record is Brightscope On-Target Index, developed by Ron Surz, for 10/2006-10/2008
And live SMART collective investment funds for 11/2008-forward