

# The Safe Landing Glide Path®

## It's All About the Beneficiaries



## Target Date Funds Designed for Enlightened Fiduciaries

- ✓ Fulfill Fiduciary Obligations to Both Grow & Protect as Appropriate
- ✓ Accumulation Only. Ends at Target Date
- ✓ Safety First Fiduciary Focus
- ✓ Superior Risk-Reward
- ✓ Substantive Prudence: Best Practices
- ✓ Financially Engineered Glide Path
- ✓ Very Low Costs
- ✓ SMART Funds get 5 Stars from Morningstar

# About Us



## Target Date Solutions

- Founded in 2009, after Ron left Target Date Analytics LLC
- Wholly owned subsidiary of PPCA Inc, RIA founded in 1992
- Developer of the patent-pending Safe Landing Glide Path<sup>®</sup>

## Ron Surz, President & CEO

- Industry veteran, innovator and author
- Developer of the Brightscope On Target Indexes
- Northrop, Becker Burke, Roxbury, Glenwood, etc.
- Many boards, including IMCA
- MS Applied Mathematics U of Illinois, MBA Finance U of Chicago, CIMA

# Fiduciary Checklist $\checkmark$ :

Where do you end & how do you get there

## 1) Ending Equity Allocation (SEC Focus)

(Note: There is little distinction between “To” and “Through”)

**No: More than 10%**

$\checkmark$  Yes: Less than 10% Equities:  
**LAND SAFELY**

## 2) Glide Path Design (Getting to the End)

**No: Ad hoc rules, like 100 minus age**

$\checkmark$  Yes: Financially engineered to  
**achieve agreed-upon objectives**

# Fiduciary Duty

Target Date Funds (TDFs) are a Qualified Default Investment Alternative (QDIA). Plan sponsors think any QDIA is a safe harbor, so they're all good – regulatory prudence. Or if they are concerned about picking a particular TDF, how can they go wrong with the name brands everyone else uses, like Fidelity, T. Rowe & Vanguard-- procedural prudence. Also, *Plan Sponsor* magazine has determined that most plan sponsors base their TDF selection on their advisor’s recommendation – delegated prudence.

But at the highest level either plan sponsors, or their consultants, but preferably both, need to care about substantive prudence – picking the best.

## Levels of Fiduciary Prudence



## Safe Landing Glide Path® Objectives and Policies

### Objectives

Safe Landing Glide Path®	Traditional TDFs
1) Safety First to Target Date	Growth to Death (Longevity risk)
2) Risk Controlled Growth	

### Policies

Safe Landing Glide Path®	Traditional TDFs
Liability-driven investing	Growth focused
Mostly Passive	Closed Architecture
Broad diversification	US-centric mostly stocks
Very low costs	High fees and sales commissions
Financially engineered glide path	Ad hoc rules, like “some # minus age”

# 3 Reasons That a Target Date Fund Should End at the Target Date: Accumulation Only

1. Participants withdraw their accounts at retirement.
2. Not ending at target date extends fiduciary responsibility beyond employment years.
3. There is only one “glide path” that can conceivably manage longevity risk:

The Hemlock Fund



## Safe Landing Glide Path<sup>®</sup> Philosophy

### Traditional TDFs

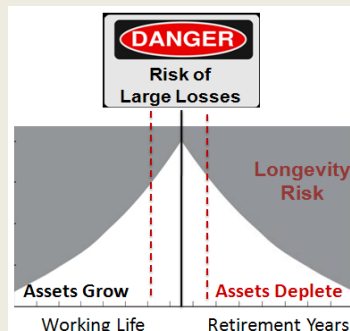
- Designed to retain investments for 25-35 years beyond retirement
- Typically 30-70% exposure to equities at time of retirement
- Assume all retirees have similar post-retirement financial requirements.

### Safe Landing Glide Path<sup>®</sup>

- Safe Landing Glide Path<sup>®</sup>** believes investors deserve more security as retirement approaches.
- Assumes retirees have different financial requirements at retirement.
  - Decouples the accumulation phase from the distribution phase to help retirees make an appropriate decision about their retirement portfolio.
  - Seeks to reduce exposure to risky assets well in advance of retirement so investors can better plan for their post-retirement well-being.

# The Critical Fiduciary Choice: How Does the Glide Path Land

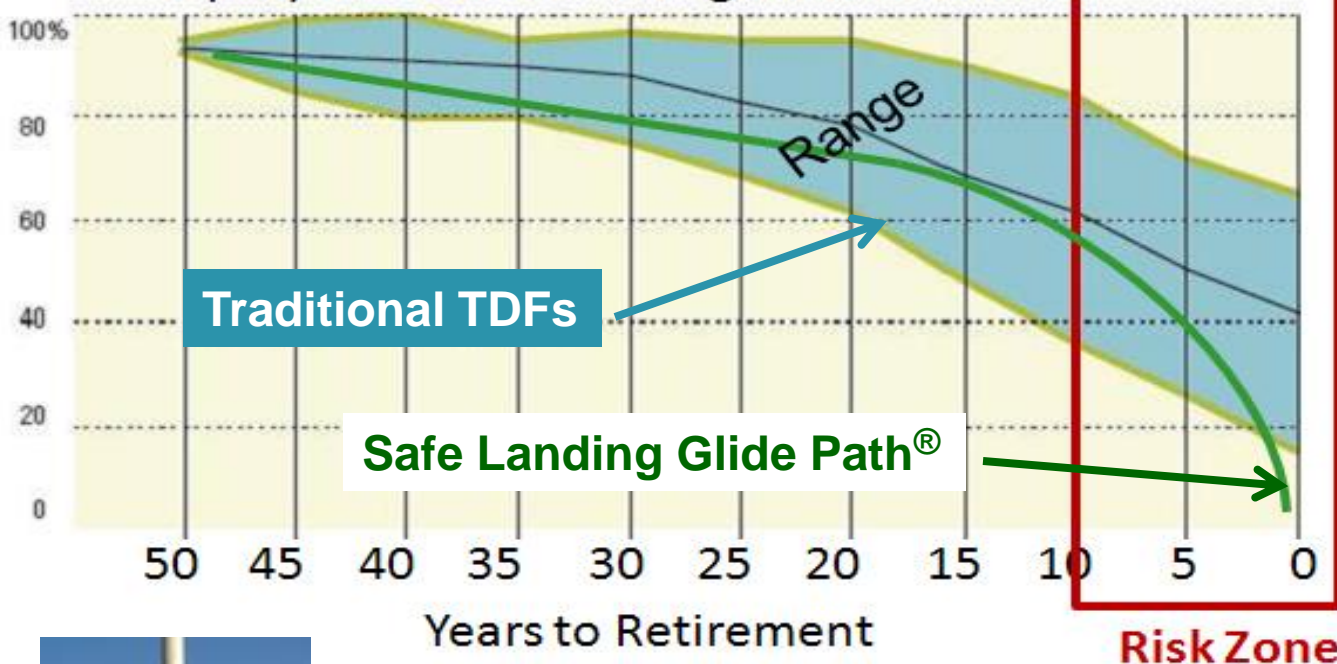
**THE RISK ZONE:** Fiduciaries should be held accountable for defaulting participants into anything other than safe assets as they near retirement, since this is the most critical time for locking in lifestyles. **Focus of SEC and DOL.**



Traditional target date fund glide paths vary widely at the target date, ranging from 20-70% in equities.

Even 20% in equities is too high. Flying at 20 feet above the ground is not safe and is not a landing. Most participants want to disembark (withdraw accounts) at target date, and this is dangerous with typical TDFs.

### Equity Allocations of Target Date Funds



**Warning: Not Landing Can  
be Hazardous to Your Wealth**

# Unique Investment Structure---

## Two Separate, Well-Diversified Portfolio Segments



### The World Market Portfolio

- Designed to provide **growth potential** in early years
- Broad diversification
- US stocks and bonds, Foreign stocks and bonds, Global real estate and commodities, Opportunistic
- Mostly Passive
- Uses ETFs, mutual funds and collective trusts



### The Reserve Portfolio

- Designed to **preserve assets** as retirement nears
- Treasury securities to mitigate credit risk
- TIPS to protect against inflation
- Uses ETFs, mutual funds and collective trusts

### The "Capital Market Line."

Dr. William F. Sharpe won a Nobel Prize for it. Liability Driven Investing (LDI) guides the allocation along the line. It is the Safe Landing Glide Path®.



The Risky Portfolio is extremely well-diversified: World Portfolio moves Efficient Frontier up & to the left. Dr. Harry Markowitz won the Nobel Prize for the Efficient Frontier.

The Reserve Asset protects against losses, both absolute & against inflation: TIPS and Treasury Bills



# The Proof of the Pudding

## Higher Returns with Less Risk

- **Long-dated funds**: Broad diversification should continue to be rewarded. Risk is comparable to other TDFs; it's just smarter risk.
- **Short-dated funds**: Risk controls work (2010 down 4% in 2008), but there will be opportunity costs in rising markets. The risk pendulum of other TDFs has swung too far at target date.

**Safety:**  
**Stable Value**



**Growth:**  
**20-70% Equities**



# Beyond the Target Date



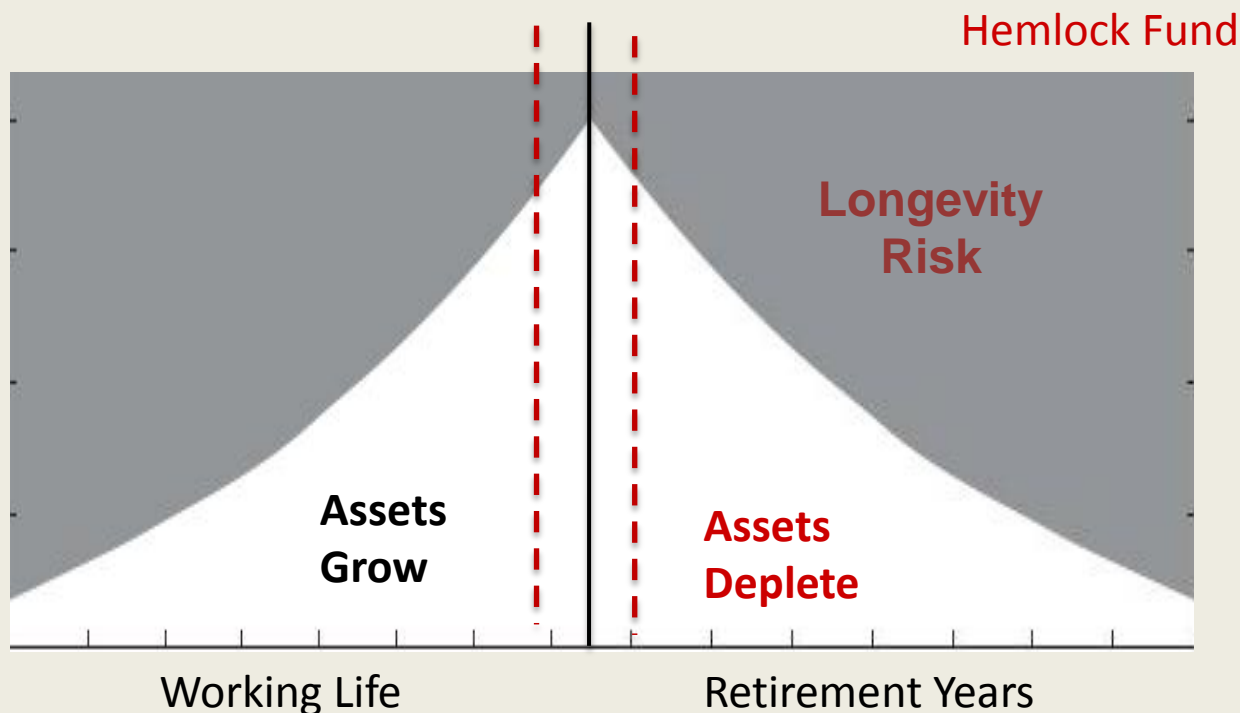
## Accumulation

QDIAs

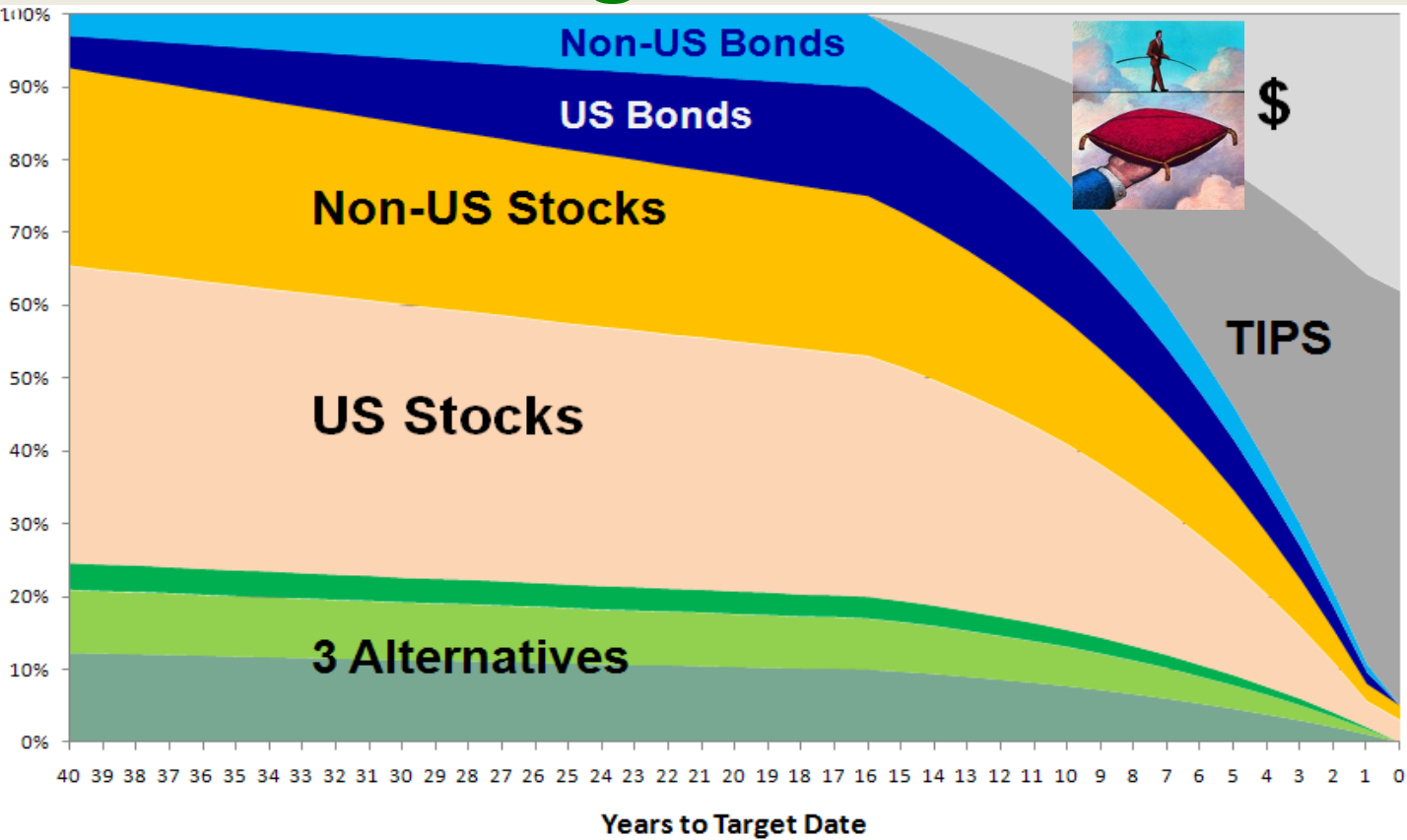
With REAL "To" funds, someone needs to make a decision during the Transition Phase

## Distribution

Annuities  
Guaranteed Payouts  
Etc.



# Safe Landing Glide Path®



## Our Services

- Collective Investment Funds: SMART Funds® offered by Hand Benefit and Trust, Houston
- Custom Glide Paths
- Unified Managed Accounts (UMAs): Model Portfolios
- Target Date Fund Consulting

## Target Date Solutions

TDS develops and licenses high-quality Safe Landing Glide Paths® that end safely at the target date, using a precision engineered asset allocation design. TDS is a wholly owned subsidiary of PPCA Inc. TDS principals have over 35 years of experience in investment program design and investment policy setting.

[www.TargetDateSolutions.com](http://www.TargetDateSolutions.com) (949)488-8339

