“To” versus “Through” Target Date Funds:
A Distinction Without a Difference
Ron Surz Ron@TargetDateSolutions.com (949)488-8339 10/28/12

“It depends on what the meaning of the word 'is' is.” Former President Bill Clinton

Most target date fund due diligence begins with a distinction between “To” and “Through.” The words “To” and “Through” were coined at the June, 2009 joint SEC & DOL hearings on target date funds, which examined the devastating losses of 2010 funds in 2008. The testifying fund companies explained that they take substantial risk at the target date because their glide paths serve “Through” the target date to death. This is in contrast to funds called “To” funds that end at the target date. The clear implication is that “To” funds are far less risky at the target date than “Through” funds, but this is not true because the industry has elected to define “To” in a bizarre way, much like President Clinton defined “Is.” “To” is being defined as a flat equity allocation beyond the target date. This is unfortunate because the very essence of “To” is the non-existence of “beyond.”

The words “To and “Through” were used at the target date fund hearings to mean:

- **Through**: Target date is a speed bump in the highway of life
- **To**: Target date is the end of the investment mission. Accumulation only.

Accordingly, the common belief is that “To” funds hold less equity at the target date because they end there, as shown in the graph on the right.
But “To” funds are being defined as any fund with a flat equity allocation beyond the target date. Why does allocation beyond the target date matter if the intention is to end at that date? **The trick is appearing to end without really ending.** The pretext is that any fund that reaches its lowest equity allocation at target date is a “To” fund because changes in the glide path have ended, even though the fund continues on. Fund companies want to keep assets as long as possible, despite emerging investor interest in “To” funds. Fiduciaries believe a “To” fund is safer and more prudent, and it should be. “To” should be safer than “Through”, but it might not be, as shown in the graph above.

**A Distinction Without a Difference**

The bottom line is that “To” versus “Through” is a distinction without a difference because:

- All “To” funds want to keep the assets beyond the target date. They’re only pretending to end. They are not accumulation only.
- All funds, both “To” and “Through,” effectively end at the target date because most participants withdraw their accounts when they retire.

The reality is that the equity allocations at target date of most “To” funds are just as high as “Through” funds. A fund with a 100% ending equity allocation at target date is a “To” fund under the flat path definition as long as it maintains that exposure beyond target date. Also, all static mix balanced funds are “To” funds using this peculiar flat path definition.
“To-Through” is a distinction without a difference as shown in the following Exhibit, where “To” funds are shown in red and “Through” Funds are shown in blue. For example, you can see that the Goldman Sachs “To” Fund is the riskiest while the Maxim “Through” Fund is among the safest.

Source: Allianz and Morningstar

Fiduciaries should not allow this gimmickry to stand. “To” should not mean “Flat Path.” “End” should not mean “Continue.” No cigars for “Is.” Fiduciaries should take heed of equity allocations at the target date, and be aware that real “To” funds do exist and the acid test is that there is no risk in the “beyond.” Real “To” funds actually end at the target date and are truly designed to be
accumulation only. Real “To” fund glide paths land safely in prudent investments like TIPS and Treasuries, and it doesn’t matter what happens beyond the target date because the presumption and hope is that beneficiaries will move assets to distribution-type vehicles like annuities and managed payout funds, as they should.

There is currently only one “To” fund that follows the Safe Landing Glide Path®.