<u>The Final Frontier – Investment Advice</u>
And
<u>Professionally Managed Accounts</u>

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“The old paradigm dies hard” [1]

Robert Doyle, Director of the Office of Regulations and Interpretations at the Department of Labor’s Employee Benefits Security Administration, has been quoted as saying that after the default-investment regulations become effective, employers will not have to evaluate whether one of the safe harbors is more appropriate than others. [2] It might seem nice to escape a critical fiduciary decision, but the practical reality is that fiduciaries will still need to make important decisions about selecting default investments.

More importantly, this potential position by the Labor department draws added attention to the dilemma employers face in trying to help participants make effective use of their defined contribution plans. This paper gives fiduciaries and their advisors guidance about these important issues by reinforcing the proposition that most participants need investment help. It will also make a case that “target-date” funds, also known as lifecycle funds, should not be the primary, or preferred, default safe harbor. Lastly, this paper will provide reasons why every plan should provide participants with at least access to investment advice, and even seriously consider making it the default investment option.

Backdrop

Three recent developments, taken together, will have a major effect on how employers design a plan’s investment menu and otherwise manage a retirement plan that provides participant-directed investment.

1) <u>Implicit endorsement of many tenets of behavioral finance</u>: Several of the provisions of the *Pension Protection Act of 2006* (PPA) are endorsements of this emerging academic discipline. The sections that encourage automatic enrollment, escalating deferrals, and prudent default investments will enhance the retirement security of millions of Americans. A growing body of academic research in behavioral finance explains how human nature affects financial decisions.[3]

2) <u>Qualified Default Investment Alternatives</u>: Section 624(a) of the PPA liberalizes ERISA § 404(c) by adding new § 404(c)(5). If § 404(c)(5)'s notice, investment-selection, and other conditions are met, an investment in a *qualified default investment alternative* or "QDIA" would be treated as the participant's control of his or her account, which makes the plan's fiduciaries not liable for harms that result from that control. And this protection would be available even if the plan does not otherwise meet the requirements of § 404(c). On September 27, 2006, the Labor department published a proposed rule. Although Congress directed the Secretary to issue these regulations by mid-February 2007, the Labor department had not by April 30, 2007 published a final rule (or even an interim rule).

3) <u>Investment Advice</u>: Section 601 of the PPA added a new statutory prohibited-transaction exemption for the provision of investment advice - ERISA § 408(b)(14). This provision paves the way for the expanded use of investment advice, given the general relief employers will now have from prohibited transactions and co-fiduciary liability pertaining to investment advice.

These three developments are just precursors of more significant trends. To have a small sense of the importance of these events and a preview of what lies ahead, consider that Putnam Investments said that the *Pension Protection Act of 2006* and subsequent rules proposed by the Department of Labor have set the stage for important advancements in defined-contribution plans.[4] Marla Kreindler of Winston & Strawn recently stated that the new safe harbor for QDIAs may prove to be one of the most powerful tools available to plan employers under the PPA.[5]

And Fred Reish, perhaps one of the most respected and proactive ERISA lawyers, said about the forthcoming QDIA regulations,

> "I believe that this implied "endorsement" by the government will increase significantly the use of multi-asset vehicles in 401(k)s." [6]

Participants need help with investments!

As 2007 unfolds, it would be hard to believe that anyone knowledgeable about the state of defined contribution plans would dispute the claim made in this section. But for newer retirement plan fiduciaries, what follows is just a snapshot of the overwhelming evidence that participant-directed plans, left in their current state, are a prescription for disappointment, if not disaster, for many employees' retirement plans.

Academics from the field of behavioral finance are continuing to illuminate the problem. We need to heed their research and conclusions. In broad terms, the majority of people exhibit "behavioral anomalies" [7] when it comes to making financial decisions. Too may Americans will reach retirement age without enough financial resources to maintain a desired level of income. Another reason for this pending financial malaise is that many households are ignorant of even the most fundamental economic concepts and principles needed to make sound investment decisions. [8]

Perhaps Zvi Bodie, a noted professor associated with the Pension Research Council, says it best:

> Like surgery, asset allocation is a complex procedure, requiring much knowledge and years of training. No one would imagine that patients could perform surgery to remove their own appendices after reading an explanation brochure published by a surgical equipment company." [9]

Is there any question about what the intellectuals who have studied the matter think?

Jane Bryant Quinn, in her February 28, 2005 *Newsweek* article, sums up the conundrum well.

> "Too bad we got what we wanted, when we started investing our own retirement funds. We wanted choice – lots of difference mutual funds. We imagined dividing our money among the best – so much stock, so much in bonds (if we paid any attention to bonds). For fun, we'd pick the stocks that went up, or our broker would. Ha. The world turned and those on top suddenly slid off. We learned that we had no idea how to balance reward and risk. Some of us risked too much and are still dangerously exposed. Others sit fearfully in bank accounts at 1.5 percent. We had plenty of choice and we muffed it. Now we want advice. One-stop funds cuddle up to a human truth: Most of us don't want to manage our retirement money. We're inexpert. We have other lives."

We now face overwhelming evidence that many people are "impaired" when it comes to making even the most basic financial decisions. The dilemma could be caused by a dyslexic investment gene. Or, to characterize the predicament in another way, call it the "buy high and sell low" gene. Seriously, all the education in the world will not change this reality. Focus needs to be on persuading and guiding people into a course of action that is likely to result in reasonable and acceptable outcomes, while always giving them the option to exercise full control of their accounts.

Target-date funds

Without a doubt, this new generation of funds has become popular. [10] It is one of the safe harbors included in the proposed default-investment regulations. [11] No question, a love fest seems to be taking place. However, on every parade some rain must fall.

There are serious questions about the efficacy of using these funds as a primary way of helping participants invest their account balances. There is one, and only one, defendable reason that justifies the use of these funds: they are an easy way for a person to diversify their investments.

The fundamental nature of target-date funds is to provide a reasonable investment strategy for an individual, without assets other than the retirement account, investing for retirement at a specific date. But to create a sound strategy, a person needs to weigh not only the retirement date but also any other initial wealth and additional savings over time in addition to one's perspective and feelings about risk and returns. By using target-date funds, a person forfeits the ability to customize their investment planning because of these funds' inherent construction. This constraint is caused by the need for *simplicity, transparency and consistency* in target-date funds. [12]

Target-date funds are an overly simplified heuristic for making an asset-allocation decision. By definition, the ability to model an effective investment strategy is compromised with target-date funds. But beyond the strategic aspects of target-date funds as compared to investment advice, there are other critical investment and fiduciary issues that employers should carefully consider. First, let's look at what is coming from the academic community.

> "We find a [target-date or] lifecycle investment strategy to be relatively conservative when taken from a lifetime perspective. That is, the most aggressive investing takes place early in life when retirement assets are relatively small, whereas investing gets progressively conservative as assets build. This strategy contradicts well known prescriptions from financial theory. We also find that this strategy may be outperformed by a simple 1/n rule." [13]

To state this in a slightly different way, for some participants a target-date fund works just fine. But for many others that is not the case. Beyond the basic risk and return issues, as well as considering wealth outside of the retirement plan, there is the matter of "human-capital" risk. The projected future earnings and the variability of those earnings should play a major factor in a person's planning. This factor is just another question that calls attention to the need for another generation of investment solutions that are more dynamic than target-date funds.[14]

> "These types of funds make asset-allocation allocations based on age and preferences rather than needs. This allocation methodology might well protect employers from liability based on the Department of Labor guidelines, but how

could anyone be so naive as to think, say, a top executive of a company and a janitor should have the same portfolio because they are the same age and claim to have the same risk tolerance?" [15]

Yes, target-date funds streamline the asset-allocation decision for participants. No, they do not fulfill the need for professional, comprehensive investment advice.

Apart from presenting serious deficiencies from the pure investment perspective, Target-date funds are burdened by a litany of other problematic issues that fiduciaries should be wary of.

- ✓ Fund of funds: The vast majority of target-date funds are comprised of mutual funds from one fund family. This fact causes other concerns pertaining to overlap of asset classes, limited diversification across asset classes, and at least perceived, if not real, conflict of interest issues.
- ✓ Poor disclosure: In the case of "bundled" plans, there is a notorious problem of mutual fund families not readily, nor accurately, disclosing the internal revenue sharing they allocate from their proprietary funds to the administrative service division within their company. Additionally, some fund families provide less revenue sharing to outside service providers than they claim to internally provide for administration services. One major fund family pays ten basis points less to independent service providers than what they purport to give to their own servicing unit. Lifecycle funds constructed of proprietary offerings just exacerbate revenue sharing disclosure problems.
- ✓ Superfluous fees: Many target-date funds carry extra costs above and beyond the expense ratios of the underlying funds. This additional expense further burdens net returns already hindered by the use of "retail" funds as the component investments.
- ✓ Wide variances in core attributes: There is a broad spectrum among supposedly similar funds in terms of expected risk and return characteristics. "Glide paths", the methodology by which the asset allocation changes over time, vary greatly and in many instances are without thoughtful academic analysis behind the reallocation decision.
- ✓ Absence of a fiduciary duty to the retirement plan: Although an investment adviser has some fiduciary duties to a fund it manages, a mutual fund's assets are ***not*** plan assets and the fund manager is ***not*** a fiduciary of a retirement plan that invests in the mutual fund. A mutual fund's assets are not plan assets governed by ERISA, eliminating an important risk-management tool for plan fiduciaries.
- ✓ Retail funds as components: Recent empirical studies indicate that returns from "retail" actively-managed funds were worse than those of similar "institutional" funds. Investments that have stable, consistent cash flows perform better than ones that have less consistent flows. Money in collective trusts and other vehicles that are used solely by retirement plans are preferred to retail offerings. [16]
- ✓ Dysfunctional use of target-date funds: While the use of these funds as single default options mitigate the problem, when put on a menu, people have a propensity to nullify the major benefit of using these funds by populating their

account with more choices, including other target-date options. Historically, as few as 6% of participants invest all their account in a target-date fund. [17] One of many narratives you find about this problem sums up the problem nicely:

> "These funds were designed to be a stand-alone investment, essentially replacing the need for people to arrange and manage an array of individual funds and other investments. Yet investors are commonly using these funds as just another investment option for their 401(k) plans." [18]

- ✓ NASD Rule 2310: When defining minimum suitability standards for an investment salesperson's recommendations, the National Association of Securities Dealers and the New York Stock Exchange require the salesperson to consider a customer's financial and tax status as well as his or her investment objectives. (An investment adviser must work under a higher fiduciary standard of care.) By definition, a target-date fund cannot provide for this type of planning customization. But a properly structured and delivered managed investment advice service can personalize advice.
- ✓ Difficulty in monitoring target-date funds: Many of these funds are complex in the sense that numerous underlying funds are used and there are loose standards by which they are managed. This fact essentially forces an investment fiduciary to treat them as if they were separate-quasi-defined benefit plans. Multiple investment allocations, all blended together with supposedly rational thought, are by definition far more complex to monitor than stand-alone investment options representing a single asset class. [19]

There are even other considerations that pose problems for relying on target-date funds. Mainly, people's careers and lives are too unpredictable for simple allocation strategies to be truly helpful in executing sound investment strategies.

Academics take a more refined approach when defining target-date or lifecycle planning. In its "Retirement at Risk: A New National Retirement Risk Index" the *Center for Retirement Research* uses three cohorts defined by broad age groups: Generation Xers ('65-'72), Late Boomers ('55-64) and Early Boomers. [20] Additionally, studies clearly show employees' attitudes across different demographics characteristics such as age, gender and marital status vary greatly A MetLife study categorizes people into four broad groups - singles, young families, baby boomers (age 41 to 60), and pre-retirees.[21]

Do these look like classifications that lend themselves to conventional target-date funds?

In their Retirement Study, Merrill Lynch reports that three-quarters of baby boomers had no intention of seeking a 'traditional" retirement, forty-five percent say they don't plan to stop working – ever. And the average age at which people will stop working completely is over 70. [22] People no longer see retirement as a time to withdraw from working life. One of the reasons this trend will grow is the incentives corporations are designing to encourage baby boomers to remain employed, at least part time. More people are tumbling to the fact that life expectancies are continuing to increase. Concerns about the hyperbolic costs of health care are also causing people to view orthodox retirement planning with concern. These conditions don't correlate well with viewing target-date funds as the best approach to one's retirement planning.

> "Most of the industry analysis we have seen to date on target date funds lay out oversimplified assumptions on participants' pay increases, salary levels and contributions to their accounts. It also assumes that balances are left intact and fully invested for an entire 40-year career. The reality of participant behavior is altogether different. Real-world employees start saving late and take too long to get up to speed. Salaries don't reach the levels one might expect because most people are given raises in just two out of three years. Quite a few people take loans against their 401(k)'s." [23]

Because of the randomness and disjointed nature of most peoples' lives, the tidy way of designing target-date funds by categorizing retirement silos in five or ten year retirement age increments is a disconnect from reality. So, what is the preferred solution path? Mike Barry, a respected author, frames the solution nicely.

> "Putting all participants the same age into the same lifecycle fund is a mistake. However, it seems to me most of the variables here – outside assets, working spouse, nonstandard retirement horizon – are pretty straightforward and can be used to fine-tune a simple, age-driven lifecycle equation, if the participants are prepared to do the work to enter the data into that equation." [24]

Mike's view describes the preferred solution for optimally helping people with their retirement planning needs. The proactive option is to provide investment advice.

Two key Definitions

Before we move on, two subtle, but important, distinctions should be made regarding "investment advice". The broad definition of advice, as it relates to this paper, can be found in ERISA § 3(21)(A), and Interpretive Bulletin 96-1. It is important to understand that it is not necessary for an advisor to have discretionary control over an account in order to dispense investment advice.

<u>Pension Protection Act Section 601</u>: As defined in this section of the act, several non-discretionary arrangements qualify as "advice".

<u>Proposed ERISA § 404(c)(5)</u>: In order for the third safe harbor, the managed account, to qualify it must be managed by an investment advisor as defined in ERISA 3(38) or an investment company. This means the manager has discretion over the participants account.

In fact, both approaches can be used by employers. One effective scenario combines both types of services by introducing the advice solution before, but in conjunction with, the professionally managed account. But as a practical matter, the managed account option is the optimal solution for meeting most participants' legitimate needs. This is the focus of the commentary in the following section.

The Merits of Investment advice

First of all, the majority of participants want investment advice. Sixty-nine percent of workers said they would prefer suggestions from a professional, whether or not they eventually made their own decisions. [25]Forty-three percent of participants wanted assistance from a financial planner for deciding how to invest their 401(k) account balances. [26]Seventy percent of Baby Boomers would welcome automatic asset allocation. [27]The participants are your plan's customers, are they not? In the face of this evidence, why would a plan not at least offer this service, let alone make it the default investment choice?

When one looks at other statistics it is not hard to understand why so many people are admitting that they need help with financial affairs. Consider these findings:

- Only forty-two percent of Americans have ever attempted to calculate savings needs for retirement.
- Fifty-two percent of workers saving for retirement have less than $50,000 saved.
- Three-quarters of workers who are not saving for retirement have assets less then $10,000.
- Fifty percent believe they can maintain the same standard of living in retirement by getting seventy percent of their salary in pre-retirement income.
- Twenty-two percent of workers who are *very* confident about their retirement security are not saving for retirement. Thirty-nine percent have less than $50,000 in savings, and 37% have not done a retirement needs calculation. [28]

Another compelling reason for using investment-advice services is that it helps people duplicate institutional services inherent with the defined-benefit system. As I have written in my article *A Syntheti(k) Pension Plan*, the more favorable attributes of a defined-benefit plan a defined-contribution plan can exhibit, the better off all the stakeholders will be. [29] The fact that professional, institutional investment management generates superior returns is well documented. And this element of retirement planning is important. Just another fifty or seventy-five basis points of returns can increase retirement accounts to a meaningful extent. [30]

> "A broadly diversified portfolio that extends beyond conventional stocks and bonds to non-traditional assets, such as direct and public real estate, emerging market debt and equity, and high yield bonds, and brings to the individual participant the diversification and risk efficiency characteristic of sophisticated

institutional portfolio, can lead to better income replacement outcomes, especially for those who need it most." [31]

Thanks to a pointed quote by John Hotz, deputy director of the Pension Rights Center, there is little need to tediously explain the merits of the Pension Protection Act. Managing the liability attendant with being a lay fiduciary through membership in a plan committee is no small benefit from properly selected investment advice.

> "Employers are now able to provide advice as long as they disclose conflicts of interest. It's basically a 'Get Out of Jail Free' card on fiduciary responsibility." [32]

Perhaps the most compelling reason for employers to "jump on the band wagon" is because there is a big one to ride. The Profit Sharing Council of America reports 47% of plans offer investment advice and over 24% provide managed accounts. [33]IBM announced recently that it is launching a multi-million dollar personal finance benefit plan that will set a new benchmark for corporate retirement planning. FedEx is conducting an RFP for computer-modeled investment advice for its workforce. But it gets even better than that.

More and more respected professionals and firms associated with this business are suggesting, and even recommending, that advice solutions be the default choice in plans. The benefits of automatically rebalancing a person's account are so clear that professionals recommend the service, or the use of target-date funds in its place, as a default choice.[34] Others are taking the final logical step of suggesting a professionally managed account is an even better default choice. [35]

> "We think DC employers should give plan participants access to professional investment advice as a standard feature of their plans." "Many employers say their participants need advice to help them combine investment options into an effective allocation." [36]

Work Left to be done

While the scenario described in this paper is sound and prudent, it cannot be fully and effectively implemented until other actions occur. This is a list of to-dos that needs to be accomplished by all the related parties-in-interests for this paper's value proposition to be fully realized.

I. <u>Effective costs</u>: Advice and professionally-managed accounts are maturing and becoming more popular. This market is not yet commoditized, but fees are continually being lowered. It is impossible to tell where equilibrium is, but depending on deliverables used, plan design and plan demographics, asset-based fees from 10 to 30 basis points should not be out of the question. The major effect on expenses will be a function of the level of interaction participants have with the advice provider. Group meetings once every three years will carry a materially different cost than annual personal face-to-face meetings. Care should be taken that these cost differentials are prudently considered in determining the final deliverables. And if a more comprehensive service package is used, prudently allocate the fees among the participants. For an explanation of the choices that plan fiduciaries face in allocating a retirement plan's expense for investment advice, see my colleague's paper "How a retirement plan allocates investment-guidance expenses among individual accounts".[37]

II. Effective RFP for services: The selection of service providers is foundational to making advice a reliably effective service. Retaining an advice provider is a far more complex task than picking investment options. The work is arguably more important too. Suffice it to say that an exhaustive and substantive RFP should be orchestrated so maximum utility comes from the advice service, and so that the selecting fiduciaries do not carry forward any unintended liability. Do not use the offering embedded in your record-keeper's service without benchmarking it to competitive alternatives.

    Another point of information is in order. Investment advice providers who use funds outside the plan's menu should be avoided. It is an unnecessary and costly expense to examine the investment selection and monitoring process of an advice provider. A conflicting investment menu causes confusion among the participants. Letting the same advice provider control (or even influence) both the investment menu and asset-allocation decisions sets up an opportunity for self-dealing and other serious conflicts of interest.

III. Investment Menu: Advice services are becoming more robust and sophisticated. As a practical matter, this means that your investment menu should be constantly reviewed to make sure there are proper asset classes so the advice provider's analytics can be fully used. One of the dominant advice providers is currently using a minimum of thirteen discrete asset classes. An emerging trend is to add secondary, non-core asset categories that might be more volatile than the core options but should serve to materially dampen a portfolio's risk while improving returns when properly blended with the primary offerings. Do not be afraid to use investments such as commodities and emerging-markets debt if they help the provider optimize its advice.

IV. Enhanced record-keeping capabilities: To "institutionalize" the investment planning, some investments that by themselves are quite risky need to be available to the advice firm. However, it is highly questionable if these non-core asset classes should be put on the menu with the core, or primary investment choices. So, the record-keeper should have the ability to let the advice provider use certain funds without letting them be available to all the participants. A less desirable solution is to limit use of the non-core asset classes to a nominal allocation, such as five percent on a participant's account. This is one area where the technology of record-keepers has not kept pace with sound investment-management practices.

The Sea Change on the horizon

We are beginning to witness truly progressive views of the future. The thought that employers are really “partners” with the employees is now on the table. This idea entails the employer making basic decisions unless the participants choose differently. It is an understatement to say that in many companies this is contrary to current practice. [38]

If the idea of paternalism is not enough to provoke thought, consider that others are suggesting that employers have an implicit social contract with employees whereby the employer is called to communicate to the participants what they need to do for success in retirement planning. In other words, it is becoming more natural to construe that it is prudent to help as many people as possible achieve retirement income security. [39]

Fred Reish, when describing the “battle between red and blue states” as a metaphor for the inflection point that the defined-contribution-plan world faces, said

> “[I]f the blue state of mind prevails, then the burden will be on employers to change their perspective. In that case, employers will become increasingly responsible for the success of their 401(k) plans in delivering broad-based and adequate retirement benefits. Employers will see ways to improve benefits through increasing participation, assisting employees to increase their deferral rate, and improving participants’ investing practices.”[40]

One of the more compelling pieces illuminating the changes taking place is a white paper published by AllianceBerstein. Bear in mind this research and conclusion took place before the *Pension Protection Act of 2006*. Here are the more significant excerpts that permeated the monograph.

- The core desire of the employers who took part in our research study was that their plans focus more on the participants’ needs.

- Somewhere along the way to growing into a $4.1 trillion market over the last two decades, DC plans took a wrong turn: They veered off the main road of focusing on the welfare of their participants, and took an exit that led to technological innovations with limited benefits to participants.

- “More than any other party, it is the employers who face this difficult task: Bridging the huge gap between the near-universal expectation of a comfortable retirement as a birthright, and the hash reality that most employees don’t believe they’ll actually be able to get there.

- Our research observations about improving DC plans lead us to conclude that the overall DC industry is poised at an inflection point of historical change, one perhaps more significant than the advent of daily valuation in the early 1980s. [41]

There is another way.

Too many plan fiduciaries assume that target-date funds, as a pre-packaged answer, are the best option as the retirement plan's default investment. But this is not the optimal solution.

The Labor department's proposed rule would allow, as a safe-harbor QDIA, an account managed by an investment manager – a registered investment adviser or bank that has confirmed in writing that he, she, or it is a plan fiduciary.

Beginning with the same date-of-birth data that an employer would use to match a target-date fund that is nearest to a participant's assumed retirement age, an investment manager can build a "custom" life-cycle fund that is more efficient and personalized than the generic allocation imbedded into a target-date mutual fund. And an investment manager can use its fiduciary duties, skills, and tools as a discretionary adviser and manager to engage and facilitate each participant in at least furnishing more personal information, and then gradually becoming more involved with his or her plan account's investment allocation. This comprehensive, coordinated approach to long-term investment planning is the capstone for making the company's participant directed retirement plan the foundation for many of the employees retirement planning. And this final positioning of the plan would be beneficial for all the stakeholders.

The research described above suggests that many, and perhaps most, participants would welcome not only a "do it with me" approach but also a "do it for me" approach – if that service were available. In lieu of, or in addition to, investment advice, a retirement plan can choose a professionally-managed account as the plan's default investment option and use this starting point as a way to show participants the value of getting involved in the retirement planning process.

Closing thought

Jodi DiCenzo, in her research noted earlier in this paper, sums up the reality well: "The path of least resistance is paved by the plan sponsor." It really is up to fiduciaries to take the initiative and design and manage their plans proactively. The blueprint is readily available.

Matt Smith, with Frank Russell, echoes our recommendations:

> "Ultimately, employers need to take into account the needs of different kinds of employees, and so offering both advice and some type of asset-allocation fund makes sense to reach the broadest audience." [42]

So when employers take action, they should use two of the default options available under the proposed QDIA regulations. Target-date funds can be a fall-back solution if the plan fiduciaries are unable to find a manager at a reasonable fee and they can be available for anyone who does not want to use the advice service. However, investment advice through professionally managed accounts delivered by an ERISA 3(38) advisor should be the primary option.

Your comments and questions are invited.

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8 Lusardi, Annamaria & Olivia S. Mitchell. "Financial Literacy and Retirement Preparedness: Evidence and Implications for Financial Education Programs". *Michigan Retirement Research Center*. December 2006. abstract.

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10 A vast body of academic and popular literature uses a wide range of labels, including target-date funds, target-year funds, life-cycle funds, and other monikers. There seems to be no generally accepted or received understanding of what these labels mean. Some uses of the "lifecycle" label refer to an earlier classification – without any reference to a year or duration - of funds that seek an investment goal aimed at conservative, balanced, growth-oriented, or aggressive investor's risk tolerance. Even funds that use the word "lifecycle" in the funds' names often name the particular year regarding which a fund's model shifts asset-class allocations from more to less investment in stocks (rather than bonds or income-seeking investments). The target-date or lifecycle funds of the Federal Thrift Savings Plan, Fidelity, Vanguard, T. Rowe Price, TIAA-CREF, and other leading providers use years in the funds' names. In this article, we use the popular label "target-date funds". For our readers' convenience, we've edited quotations that refer to lifecycle funds.

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