Target date funds

Frequently asked questions

When you're investing for retirement, your emphasis at age 30 might be very different from your emphasis at age 60. After all, if your retirement is many years away, your focus might be on building assets. But as you approach retirement or the time you'll need your money, your focus might shift to preserving your accumulated assets.

Target date funds are designed to manage the process of gradually shifting to a more conservative investment mix over time.

What is a target date fund?

A target date fund invests in a mix of stocks, bonds, cash equivalents and other asset classes. The fund's manager adjusts this mix over time to become more conservative — holding fewer stocks and more bonds, for instance — as the target date approaches.

So target date funds are designed to manage two tasks that you face as an investor:

- By offering "one-stop" investing, these funds save you the work of creating a diversified portfolio on your own.*
- They save you the work of gradually shifting that portfolio to a more conservative mix over time.

As a result, target date funds can be a convenient way for some to invest.

How do I pick a target date fund?

Most target date funds include a year in their name. When you're picking a target date fund, you first decide the year you expect to retire or might want to start withdrawing assets from your account. Generally, you would then select the fund with a date closest to the year you will need the money.

Target date funds without a year in their name often have a word like "Income" instead of a year. These funds are intended for those who are already retired or closest to retirement.

Can I invest in more than one target date fund at the same time?

Yes, but that may not be your best option. Each target date fund is designed to offer a mix of investments geared to the year in the fund's name. If you invest in multiple target date funds, the objectives of one fund could cancel out the objectives of another.

Do I still need to review my investments if I use a target date fund?

Yes. While target date funds adjust their investment mix gradually as the target date approaches, they can't do all the work of investing. You still need to make sure that your target date fund's allocation — including the way it is adjusted over time — is appropriate for your investment goals. That's especially true if your circumstances change.

Watch this short video on target date funds at **go.ml.com/p6cc4**.

**Diversification cannot ensure a profit or protect against loss.*

You're not locked in

If your circumstances or goals change, including your anticipated year of retirement or the year you might want to start withdrawing assets, you can choose a different target date fund. You're not locked in to your original selection.

What should I consider before investing in a target date fund?

Target date funds can offer a convenient way to diversify your investments with just one decision. But there are a few things to think about first. A fund's target date may match your anticipated retirement date, but the fund may have an asset allocation that doesn't match your tolerance for investment risk. Your risk tolerance might mean you should consider a target date closer to the present (which would have lower risk) or one farther in the future (with higher risk). That decision will naturally vary among investors.

Also, if you have assets in other retirement accounts, or if you'd like to own other funds too, consider how those investments could potentially offset the target date fund's strategy. In this case, a target date fund may or may not be right for you.

Are there any guarantees with target date funds?

No. As with all investments, the principal value of these funds is not guaranteed at any time, including at the target date. That's because all investments are subject to risk — the possibility that your investments could lose value.

How does a target date fund's investment mix change over time?

A target date fund changes its asset allocation over time based on its "glide path," or how the fund's proportion of conservative investments increases while the proportion of more aggressive investments decreases. The fund manager either chooses a preset glide path or periodically adjusts the glide path.

How much do target date funds vary from one fund company to another?

Different target date funds can be managed quite differently. For example, funds from different fund families may have different proportions of their assets in stocks, bonds and cash equivalents for the same target date. Also, some funds may continue to adjust their asset allocation after they reach the target year. Fund literature typically explains a fund's strategy. By reviewing that information, you can better understand whether a fund's asset allocation, and how the fund intends to adjust that allocation over time, is appropriate for you.

When my target date arrives, am I supposed to withdraw the money in my target date fund?

Not necessarily. Target date funds assume you will stop making new contributions on the defined target date. But retirement could last for a number of years. By continuing to hold a portion of their assets in equities after the target date, target date funds may help investors avoid outliving their assets.

How can I find out more?

If your plan offers target date funds, more information is always available on Benefits OnLine® at www.benefits.ml.com. If you have further questions, you can call your plan's toll-free number.

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Investing through your plan involves risk, including the possible loss of principal invested.

Please note that the target date, or retirement date, as applicable, for target date funds is the approximate date when an investor plans to start withdrawing his or her money. The principal value of these funds is not guaranteed at any time, including at the target date. These funds are designed to become more conservative over time as the target date approaches.

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