Morgan Stanley

Your Financial Future

Tips and insights to help you reach your goals

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Are Target Date Funds for You?

Target date funds were introduced to solve a problem: Too many retirement plan participants were choosing investment options that were too conservative for their age, simply because they were unfamiliar with investing and uncomfortable with the risks of the stock market. The bad news for these investors is that low risk has historically meant low return—and an inadequate nest egg at retirement.

Target date funds are aimed at those without the know-how or inclination to manage their own retirement portfolios over the long term. And they've hit the bullseye: Assets in these funds have grown 90% in the past five years, and more than six fold over the past ten years.*

Why consider target date funds

Simplicity. They're designed to be a self-contained investment portfolio—if you're investing in one target date fund, you can often stop right there. Putting your money in other funds may defeat the purpose of the target date strategy, which is a careful balance of potential risk and reward that adjusts gradually over time.

They change with you. Target date funds use a glide-path strategy—they adjust their investment mix continually as they approach their target year, with the goal of a soft landing at the point at which most people's objective becomes "safety first." For example, a fund with a target date of 2055 might be mostly or nearly wholly invested in stocks, while a fund with a 2020 target date would be heavily tilted toward bonds.

They may save you from yourself. It's easy to overreact to market swings and jump in and out of stocks at exactly the wrong time. With professionally managed target date funds, decisions to buy, sell, or hold are made for you

Target date funds typically include a combination of stock, bond, and money market investments. The fund adjusts its mix of investments as a specific "target" year approaches.

Not for everybody

No investment choice is perfect for everyone.

Knowledgeable investors who take a more active role in their portfolio may prefer to choose from the stock, bond, and money-market choices in their plans.

Uncertain retirees may want a more flexible approach that accommodates a gradual exit from the workforce, one spouse retiring while the other works, or some other arrangement.

Especially risk-averse or risk-tolerant investors may want to use their plan's other choices to build a more conservative or aggressive portfolio than a target date fund would provide for a specific retirement date.

Based on their popularity, target date funds have hit the mark for many retirement plan participants. If your plan offers them, and you're setting your sights on a hands-off retirement strategy, you may want to take a closer look. ■

*Source: Morningstar, Success Story: Target-Date Fund Investors, February 2018, http://www.morningstar.com/articles/850872/success-story-target-date-fund-investors.html

Bring your workplace retirement funds under one roof

Not only is it easier, but it ensures you'll never lose track of your money.

With increasing job switching, many Americans find themselves with two, three, or even more retirement plans left with former employers. It's easy to move these balances over to your current employer's plan, and there are good reasons to do just that.

If your retirement funds are "out of sight, out of mind"—or even forgotten—then no one is monitoring them to ensure that they're still the right investments for your retirement strategy as it evolves over the years. Your planning should include all the retirement account assets you have.

Having all your retirement funds in one place is simpler: one account login, one set of investment choices, one place to monitor your progress. It's just *easier*.

You avoid the risk of forgetting about these assets, and losing track of them. You may think you won't, but the U.S. government found at last count that job-changing participants or their beneficiaries left 25 million accounts unclaimed between 2004-2013.*

How to find your money

Contact the Human Resources department at your former employer(s). They can tell you whether the plan still exists and whether you have any retirement assets still in it. From there, they'll guide you in the process of rolling over your account to your current workplace plan, if that's your aim.

What if you can't locate the employer, or they've renamed, restructured, or gone out of business? The good news is that they may be looking for you, too. If a plan is ended, the responsible administrator is required to make an effort to locate owners of "abandoned" accounts. But perhaps you've changed your name or your address. If you haven't heard from any old employers, try the Department of Labor's search tool at www.askebsa.dol.gov/AbandonedPlanSearch.

If you're still unsuccessful, check with your state's unclaimed property department. All 50 states are searchable from www.unclaimed.org, a collaboration among government treasurers.

Even if you don't find any retirement assets, it's worth a look. For 10 minutes' work, you may find you have a $50 unclaimed utility deposit—a bit of your past that can help you prepare for your future. ■

*Source: U.S. Government Accountability Office, WORKPLACE RETIREMENT ACCOUNTS: Better Guidance and Information Could Help Plan Participants at Home and Abroad Manage Their Retirement Savings, January 2018. www.gao.gov/assets/690/689773.pdf

Investments in target-date funds are subject to the risks associated with their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a target date fund is not guaranteed at any time, including or after the target date. These funds are based on an estimated retirement age of approximately 65. Should you choose to retire significantly earlier or later, you may want to consider a fund with an asset allocation more appropriate to your particular situation.

Investors should carefully consider the investment objectives, risks, charges and expenses of a target date fund before investing. To obtain a prospectus, contact your Financial Advisor or visit the fund company's website. The prospectus contains this and other information about the target date fund. Read the prospectus carefully before investing.

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