



What's a Managed Accounts Service and How Can It Help Me?



Whether you're a do-it-yourself investor or someone who has always relied on a target-date fund, it can be hard to know if you're on track for your goals. Through your employer-sponsored retirement account, you have access to an online managed accounts service offered by Morningstar Investment Management LLC designed to help you invest your retirement account and plan for the retirement you want, even in times of market volatility.

Unsure what exactly this kind of service entails? We're here to help with answers to some of our most frequently asked questions.

What's a managed accounts service?

Online managed accounts services take into account your personal and financial information to help you plan and get on track for your financial goals. Sometimes referred to as robo-advisors, they typically provide financial advice as well as professional management of investments through an online platform. They can all differ slightly and support certain types of investment accounts.

Morningstar Investment Management's managed accounts service is designed to help you invest and manage your employer-sponsored retirement account, such as a 401(k) or 403(b) plan account. It uses your unique information—such as your age, gender, income, taxes, and more—to provide you with personalized advice and a custom investment portfolio.

Technology plays an important role in our service—helping us take that holistic financial picture and match you with the appropriate portfolio while delivering custom retirement advice through a user-friendly platform. But it's all shaped by our investment professionals and research analysts who are committed to helping investors achieve their financial goals.

What exactly will the service do for me?

There are a few ways a managed accounts service can help:

① A professionally designed investment strategy, just for you

Morningstar Investment Management's managed accounts service can create a custom investment strategy for you using the funds available in your plan.

While target-date funds, a common type of retirement account investment, only use your expected date of retirement to create an investment portfolio, managed accounts services can consider a range of factors like your age, gender, income, taxes, and more. This personalization is helpful because, the more information that's considered when designing your investment strategy, the more tailored your portfolio can be to your unique goals and situation.

More specifically, this information helps determine your portfolio's asset allocation. Asset allocation refers to the balance of asset classes or the different kinds of investments—like stocks and bonds—in your portfolio. Research has shown it's the most important factor that influences investment outcomes.¹

② Custom advice to help you plan and save

Morningstar Investment Management's managed accounts service also uses the information users share with us to provide personalized recommendations on things like how much to save, what age to retire, and when to collect Social Security benefits. As you age or your situation changes, our advice adjusts accordingly.

We can also provide guidance on the overall asset allocation for the outside retirement savings accounts you or your spouse/partner might have, such as IRAs or 401(k) plan accounts from a previous employer. This way we can help you balance out your overall risk level across your retirement investments.

③ Ongoing professional management of your investments

Included in our service is ongoing investment management and regular portfolio rebalancing.² This is important because, as the market shifts, the values of the different investments in your portfolio will change, too. When that happens, the overall asset allocation of your portfolio changes, which can expose you to more risk than is appropriate for you. Rebalancing is the practice of selling off some of the funds in your portfolio and buying others to shift your portfolio back to its appropriate asset allocation targets.

As part of Morningstar Investment Management's rebalancing process, we evaluate each individual's account and personal information each quarter to then match them with an appropriate asset allocation and retirement portfolio. This way, we can help you stay on track for your goals while making sure we take into account any new information you've shared.

Will this help me get more returns?

No financial services provider can make guarantees when it comes to future performance. However, Morningstar Investment Management recently studied more than 60,000 retirement savers before and after using our managed accounts service to see if it was making a difference and how.

We found that before using our service, a majority of the savers we studied were not on track to meet their goals. But—using our service helped them become more appropriately invested with asset allocations that made sense for their needs and situation.³ Remember that research has shown asset allocation is the most important factor that influences investment outcomes.¹ Plus, 71% of people who were not on track started saving more.⁴ Over time, small changes can make a difference.

How exactly does it work?

You start by enrolling in our managed accounts service through your retirement account provider's website. From there, we take into account the information we have about you—such as your salary, lifestyle goals, taxes, and Social Security—to create a personalized plan that projects how much money you'll need and how much we expect you to have saved in retirement based on those details.

We'll also review the investment options available in your employer's retirement plan and make recommendations to help you get on track. We'll monitor these investments and will help adjust your retirement investments on at least a quarterly basis, if needed, as the markets and your needs change. To keep you in the loop, we send progress reports every quarter so you're always up to date on the status of your account.



Our managed accounts service helped retirement savers become more appropriately invested with asset allocations that made sense for their needs and situation.³

What about fees?

We understand cost is an important piece to consider. The fee varies slightly by provider, but you can review your exact annual fee before you finish signing up for the service through your provider's website.

If you choose to have Morningstar Investment Management manage your account for you, the fee is automatically deducted from your retirement account, so you don't have to worry about paying an invoice or sharing your debit or credit card information.

Who is Morningstar Investment Management?

The mission of Morningstar, Inc., our parent company, is to empower investor success. Morningstar was founded on the simple idea that when people have good investment information, they make better choices that lead to better outcomes. Their advocacy for the individual investor extends to the workplace market, where the responsibility for investing and saving for retirement now rests with employees and where Morningstar Investment Management is committed to helping those employees achieve their financial goals. The products and services of Morningstar and its affiliates range from advice and managed accounts to custom models, target-date solutions, and fiduciary services. Morningstar Investment Management LLC is a registered investment adviser and subsidiary of Morningstar, Inc.

So, what can I do next?

We're here to help you get and stay on track for the retirement you want. If you're ready to take the next step and enroll in managed accounts, log in to your retirement plan provider page.

If you don't know who your plan provider is, still have questions about managed accounts or want to walk through the service with a human, our team of Retirement Specialists are here to help.



Get help with your retirement savings

To get started and enroll in Morningstar Investment Management's managed accounts service, complete the form at the bottom of our [Insights for Retirement Savers page](#). Once you submit your request, our Retirement Specialists will reach out to schedule a personal enrollment session with you.

References

¹ Idzorek, T. (2010). Asset Allocation Is King. Tom Idzorek is an employee of Morningstar Investment Management LLC.

² Research on The Impact of Managed Accounts on Participant Savings and Investment Decisions

A total of 60,825 retirement plan participants were included in Morningstar Investment Management's study, "The Impact of Managed Accounts on Participant Savings and Investment Decisions". Participants were selected for use based on available information and various filters and include those participants that used the Morningstar Retirement Manager Managed Accounts service between the dates of January 5, 2007 and June 4, 2018.

In no way should any results shown be considered indicative or a guarantee of the future results of an actual retirement plan participant's portfolio with the same investment option or viewed as a substitute for an investment option recommended to an individual participant. Actual results of an individual participant may differ substantially from the historical results shown and may include an individual participant incurring a loss. Past performance is no guarantee of future results.

Morningstar Investment Management does not guarantee that the results of their advice, recommendations, or the objectives of an investment option will be achieved.

In no way should the results of this analysis be considered indicative or a guarantee of the future performance of an actual participant using Morningstar Retirement Manager or considered indicative of the actual performance achieved by an individual participant using Morningstar Retirement Manager.

To download the full research paper, please go to: <https://www.morningstar.com/lp/impact-of-managed-accounts>.

³ For purposes of this study, a participant who is not on track is defined as an individual that has less than a 70% probability of achieving their retirement income goal prior to use the Morningstar Retirement Manager Managed Accounts service. To measure the appropriateness of portfolios, the median absolute difference between the Morningstar Retirement Manager managed accounts service's recommended asset allocation and the participant's portfolio prior to the use of managed accounts is calculated for each participant. The managed accounts service recommendation assumes that Morningstar Investment Management uses all of the known information about a given participant and the participant is ultimately assigned to the ideal asset allocation. Using Morningstar Investment Management's Capital Market Assumptions and solving for the implied risk-aversion coefficient, the utility of the allocations for the participant's portfolios before and after using the managed accounts services are compared.

To measure risk level improvement, equity allocations for portfolios before and after a participant enrolled in Morningstar Retirement Manager were estimated. After using managed accounts, there were considerable changes in risk levels for some participants, in particular a subset of users who previously directed their own investments who had been primarily or entirely invested in fixed income prior to enrolling in managed accounts. Such participants were generally invested too conservatively and had a significant increase in their equity allocations after enrolling in managed accounts. In addition, a significant number of participants, especially older participants, ended up in more conservative portfolios after enrolling in managed accounts.

⁴ For purposes of this study, a participant who is not on track is defined as an individual that has less than a 70% probability of achieving their retirement income goal prior to use the Morningstar Retirement Manager Managed Accounts service. Our study quantified the change in savings rates for participants prior to and after using the Morningstar Retirement Manager managed accounts service. (Total savings rates include employee deferrals and employer matching contributions. If an employer matching contribution rate was not available for a plan, an assumed match rate of 50% on the first 6% of deferrals was assumed.) The majority of participants who were not on track increased their savings rate (71.5%) while the majority of participant who were on track did not change their savings rates (64.8%). Changes in savings rates were not constant across age ranges, with younger participants having larger average changes than older participants. Total savings rates increased more than employee deferral rates because Morningstar Retirement Manager considers whether a participant is achieving the maximum employer match, and recommends a deferral rate increase up to the employer match amount regardless of whether the participant is on track or not on track to meet their retirement goals.

Disclosures

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Asset allocation and diversification are methods used to help manage risk, they do not ensure a profit or protect against a loss. An investment in a target date fund or managed account is not guaranteed, and you may experience losses, including losses near, at, or after the target date or your retirement date. There is no guarantee that the fund or a managed account service will provide adequate income at and through your retirement.

It is important to note that investments in securities (e.g., mutual funds, exchange-traded funds, common stocks) involve risk and will not always be profitable. Neither diversification nor asset allocation ensure a profit or guarantee against a loss. There can be no assurance that any financial strategy will be successful.

Guidance is designed to give general asset class information and includes general and educational information to help you manage your accounts. It is provided as general and educational information only and is not intended to provide “investment advice” as defined by the Employee Retirement Income Security Act of 1974, as amended (ERISA). The information contained in guidance recommendations should not be considered as advice to buy or sell a particular security, mutual fund or other investment. You are responsible for determining the suitability of any particular security, mutual fund or other investment for your particular situation.

For outside accounts, Morningstar Investment Management cannot monitor, review or update its suggestions or projections on an on-going basis, nor does it have the capability to monitor or review investment decisions the participant makes. Because Morningstar Investment Management depends on the completeness, accuracy and timeliness of the outside account information you provide, you are solely responsible for reviewing and updating your individual financial information. You are responsible for tracking your outside accounts and the market to be aware of any changes in the value of your outside accounts.

There is no fee to receive an outside accounts recommendation, however, you may incur redemption fees, transaction costs, other security or account level charges and expenses, and/or tax consequences for the securities in your outside accounts. You should consult with a professional financial adviser or tax adviser if you have any questions prior to making any investment decisions.