

2024 Target-Date Strategy Landscape

Target-date strategies remained popular with investors, and mutual funds held the majority of assets.

Morningstar Manager Research

Megan Pacholok

Senior Analyst, Multi-Asset Manager Research

Contributors

Adam Millson

Stephen Margaria

Vedran Beogradlija

Ahmad Bhatti

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Key Takeaways: Flows, Assets, & Fees

Target-date strategies raked in USD 156 billion in assets in 2023; collective investment trusts led the way, absorbing USD 104.5 billion—or 67%—of the year’s net inflows.

- Net flows in 2023 slightly rose from USD 153 billion in 2022 despite a decline in target-date CIT flows; target-date mutual funds had higher flows than the previous year.
- Vanguard Target Retirement led the way in asset gathering, with USD 44 billion in net flows for the year. It has topped the net flow charts every year but one since 2008.

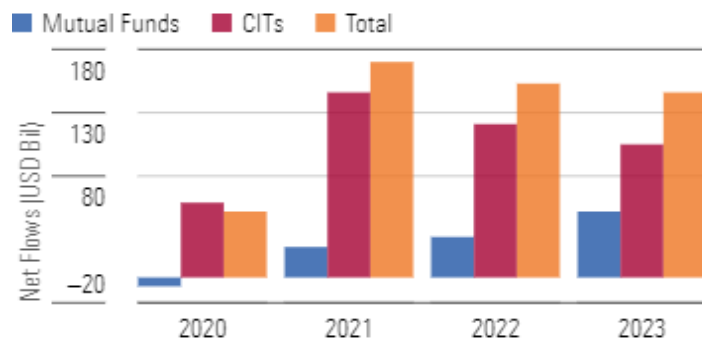
CITs made up 49% of target-date strategy assets as of year-end 2023 and are poised to become the most popular target-date vehicle by the end of 2024.

- The mix of mutual fund and CIT assets varied among target-date giants. Most of Vanguard’s, T. Rowe Price’s, and BlackRock’s target-date assets were in CITs; most of Fidelity’s and American Funds’ were in mutual funds.
- The top five target-date managers made up about 80% of the market. The top 10 brought it up to about 94%.

Investors were paying less for target-date mutual funds. As of year-end 2023, the asset-weighted net expense ratio fell to 0.30% from 0.32% a year prior.

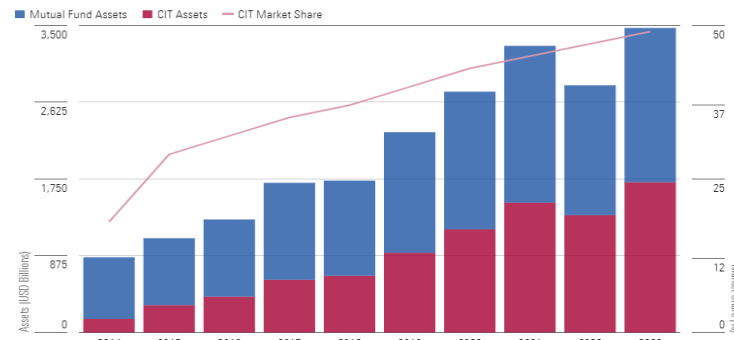
- Lower-cost target-date strategies garnered most of the assets.

Year-Over-Year Target-Date Flows



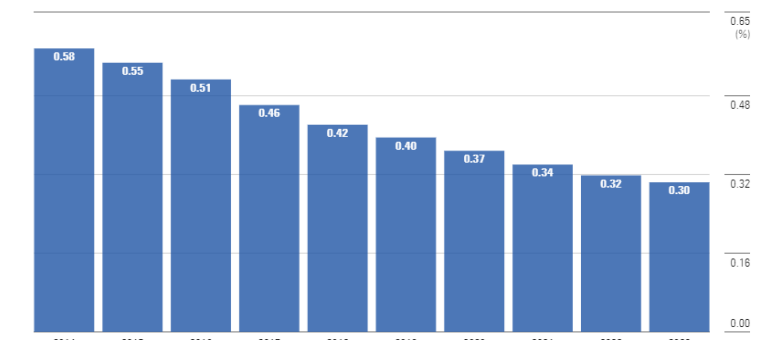
Source: Target-date mutual fund data from Morningstar Direct and CIT data from surveys. The net flows were adjusted to account for mutual fund to CIT conversions when the data was reported to us and therefore may differ from Direct. Data as of Dec. 31, 2023.

Total Target-Date Assets



Source: Target-date mutual fund data from Morningstar Direct and CIT data from surveys. Data as of Dec. 31, 2023.

Target-Date Funds’ Year-End Asset-Weighted Fee (%)



Source: Morningstar and author’s calculation. Data as of Dec. 31, 2023.

Key Takeaways: 2023's Winners and Potential Changes

Among the 30 mutual fund and 27 CIT target-date series Morningstar analysts assess, there were a couple of notable Morningstar Medalist Rating changes.

- The mutual fund and CIT versions of Fidelity's Freedom Index and Freedom Blend series earned People Pillar upgrades to High from Above Average, which pushed their respective Medalist Ratings to Gold and Silver.

After 2022's market turmoil, target-date strategies rode 2023's rebounding markets.

- US fund target-date category returns in 2023 ranged from 10.3% for the most conservative peer group to 20.2% for the most equity-heavy.
- American Funds Target Date Retirement, TIAA-CREF Lifecycle Index, and T. Rowe Price Retirement continued to deliver strong 10-year returns compared with their peers.

Some target-date providers are giving investors more choice. They maintain the same glide path but use different underlying building blocks.

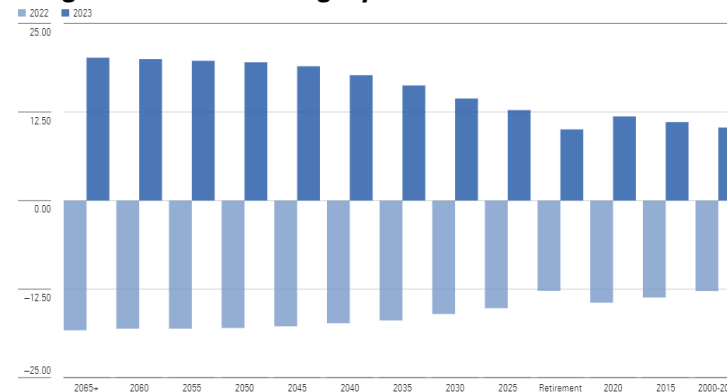
- Despite the portfolio and cost differences, returns are largely in line, but assets have started to skew toward passive options.

Gold-Rated Target-Date Mutual Funds

Series	Morningstar Medalist Rating
American Funds Target Date Retirement	Gold
BlackRock LifePath Index	Gold
Fidelity Freedom Index	Gold
Pimco RealPath Blend	Gold
T. Rowe Price Retirement	Gold
T. Rowe Price Retirement Blend	Gold

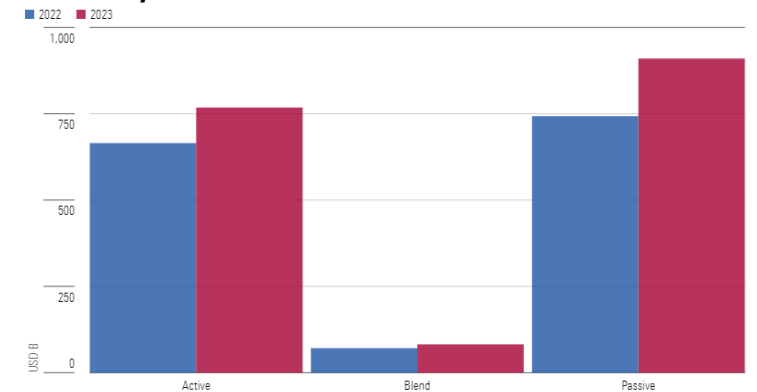
Source: Morningstar Direct. Data as of March 26, 2024.

Target-Date Fund Category Returns



Source: Morningstar Direct. Data as of Dec. 31, 2023.

Assets by Portfolio Construction



Source: Morningstar Direct and author's calculation. Data as of Dec. 31, 2023.

US Target-Date Strategies: Flows

Target-date flows ticked up in 2023.

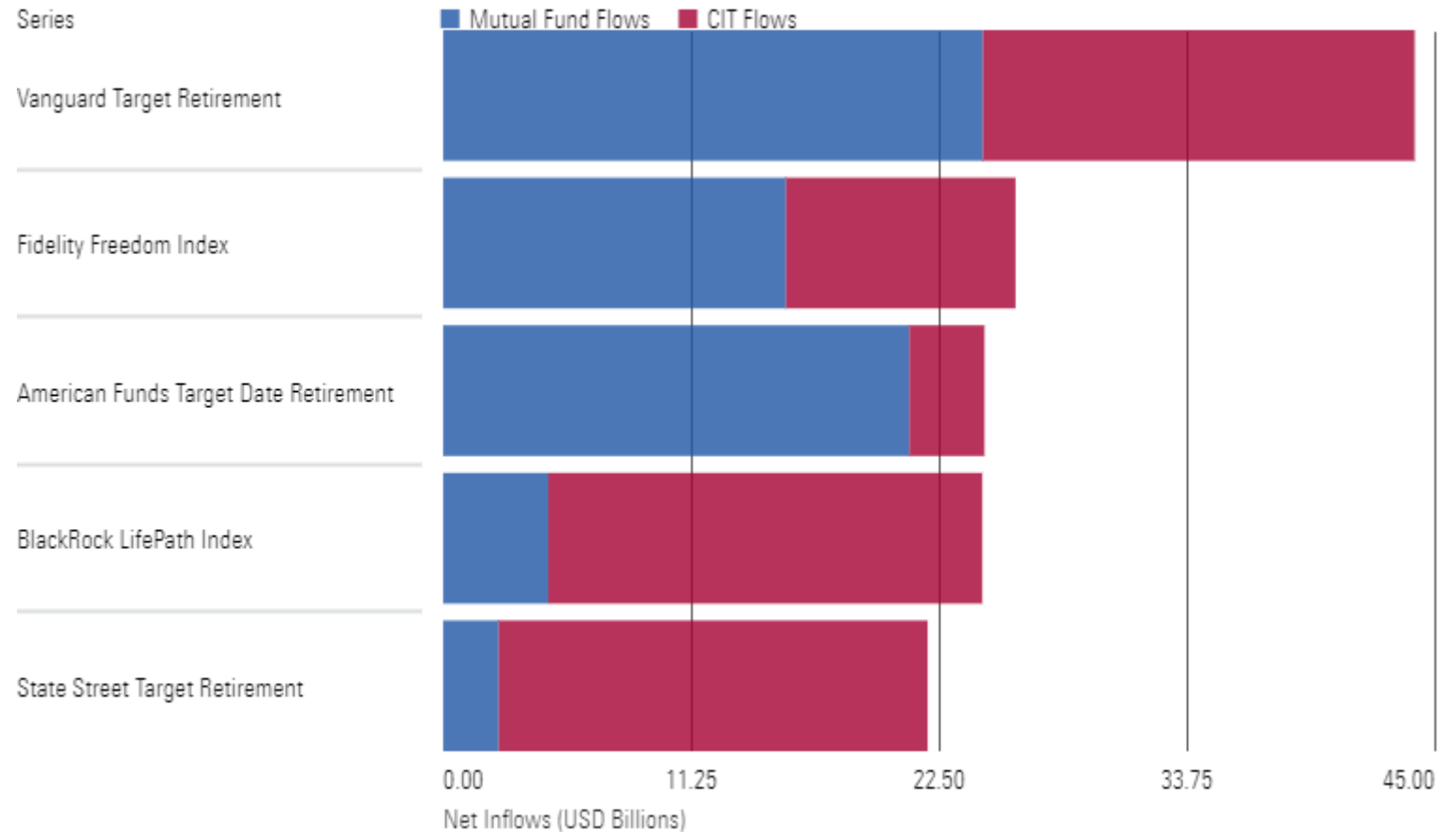
Vanguard Kept the Crown

Vanguard Target Retirement trounced its target-date competitors again, albeit at a slower pace. The series has grabbed the top flow spot in all but one calendar year since 2008. It gathered USD 44 billion in net inflows in 2023, the most of any rival, even though it was USD 20 billion less than the USD 64 billion it garnered in 2022.

- Total flows for target-date mutual funds and CITs slightly increased in 2023 to about USD 156 billion from USD 153 billion the previous year.
- Fidelity Freedom Index moved to second place in 2023 from third in 2022.
- American Funds Target Date Retirement hopped to third from fifth due to strong mutual fund flows.
- BlackRock LifePath Index’s popularity in CITs kept it in fourth place just behind American Funds.

Morningstar does not consider flows across vehicles of the same strategy. In the target-date space, mutual fund to CIT conversions are prevalent. In those cases, when reported, the flows are added back to the mutual fund flows and subtracted from CIT flows.

Top 5 Series by Net Inflows (Mutual Funds and CITs)



Source: Mutual fund flows were pulled from Morningstar Direct whereas CIT data was surveyed from target-date providers. The net flows were adjusted to account for mutual fund to CIT conversions when the data was reported to us and therefore may differ from Direct. Data as of Dec. 31, 2023.

Top Series by Vehicle






Vanguard Target Retirement dominated 2023 mutual fund flows. It jumped back to the top target-date mutual fund flow-gatherer spot.

- American Funds Target Date Retirement slid to second place. It is the only series in the top five that uses active funds; the others rely on index funds.
- Fidelity Freedom Index grasped the third spot. It continued to rake in the most net flows across the firm's target-date options.

The top five CIT series gathered nearly USD 76 billion in flows compared with mutual funds' USD 71 billion. The CIT version of BlackRock LifePath Index, which garnered more than 4 times what its mutual fund sibling took in, ranked first in target-date CIT flows.






- Second-place Vanguard Target Retirement slightly trailed BlackRock LifePath Index.
- State Street Target Retirement was a close third.
- Index-based series dominated the top five, though, T. Rowe Price Retirement series grasped the fifth spot and is the only series in the top five that uses active funds.

Top 5 Series by Mutual Fund Net Inflows

Series	Morningstar Medalist Rating (Cheapest Share Class)	2023 Net Flows (USD Millions)
Vanguard Target Retirement	 Silver	24,518
American Funds Target Date Retirement	 Gold	21,157
Fidelity Freedom Index	 Gold	15,556
TIAA-CREF Lifecycle Index	 Bronze	5,228
BlackRock LifePath Index	 Gold	4,765

Source: Morningstar Direct and surveyed data. Data as of Dec. 31, 2023, except for the Morningstar Medalist Rating, which is effective as of March 26, 2024. We previously reported American Funds Target Date Retirement as the largest target-date mutual fund gatherer in 2023, but after delayed conversion data was reported, Vanguard outpaced American Funds. After accounting for conversions, data may differ from Direct.

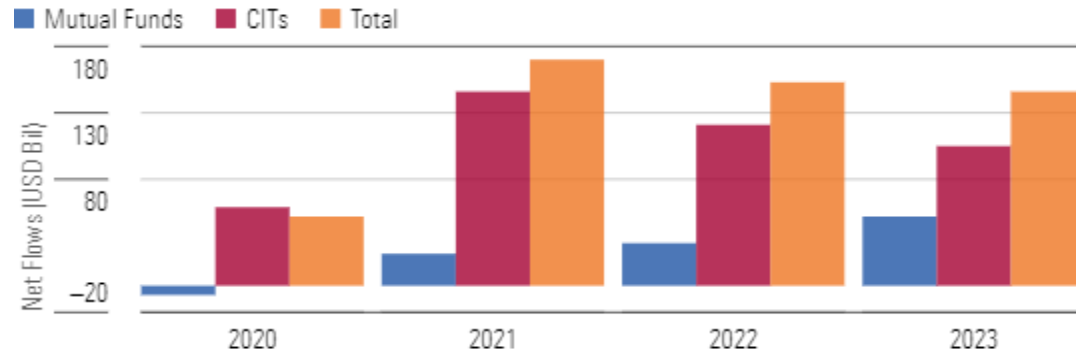
Top 5 Series by CIT Net Inflows

Series	Morningstar Medalist Rating (Cheapest Trust)	2023 Net Flows (USD Millions)
BlackRock LifePath Index	 Gold	19,700
Vanguard Target Retirement	 Silver	19,600
State Street Target Retirement	 Silver	19,473
Fidelity Freedom Index	 Gold	10,422
T. Rowe Price Retirement	 Gold	7,054

Source: Morningstar Direct and surveyed data. Data as of Dec. 31, 2023, except for the Morningstar Medalist Rating, which is effective as of March 26, 2024.

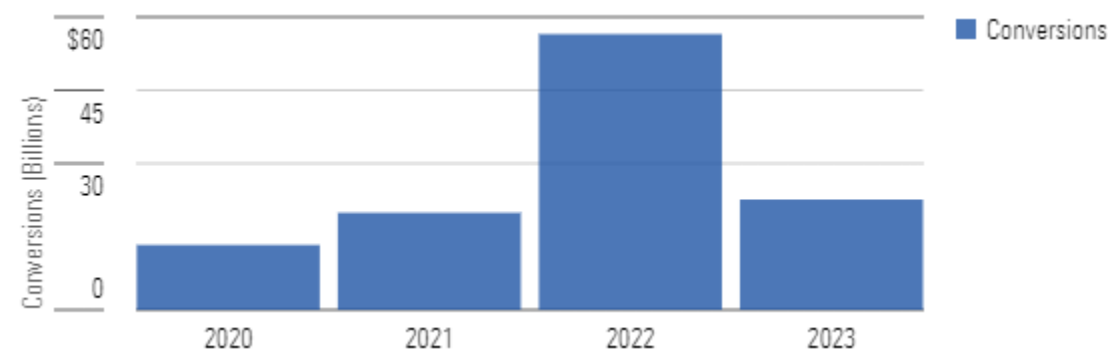
Target-Date CIT Success Story

Year-Over-Year Change in Target-Date Net Flows



Source: Target-date mutual fund flows are collected from Morningstar Direct and CIT flows are based on surveyed data. The net flows were adjusted to account for mutual fund to CIT conversions when the data was reported to us and therefore may differ from Direct. Data as of Dec. 31, 2023.

Mutual Fund to CIT Conversions



Source: Surveyed data. Data as of Dec. 31, 2023.

CITs, which since at least 2020 have attracted the most new money, continued to dominate in 2023, even as their flows decreased slightly and target-date mutual funds increased slightly in 2023.

- CITs collected roughly USD 104.5 billion in net new flows in 2023—or 67% of the total—down from 79% in 2022. Target-date mutual funds took in roughly USD 51.8 billion, up from USD 32 billion in 2022.

Mutual fund to CIT conversions continued, signaling the growing popularity of CITs. Conversions usually involve changing investment vehicle but not investment strategy.

- Based on reported flow data, more than USD 22.6 billion in target-date mutual funds converted to CITs in 2023. The significant drop could indicate CIT conversions peaked in 2022.

Flows Continued to Move Into the Lowest-Cost Options

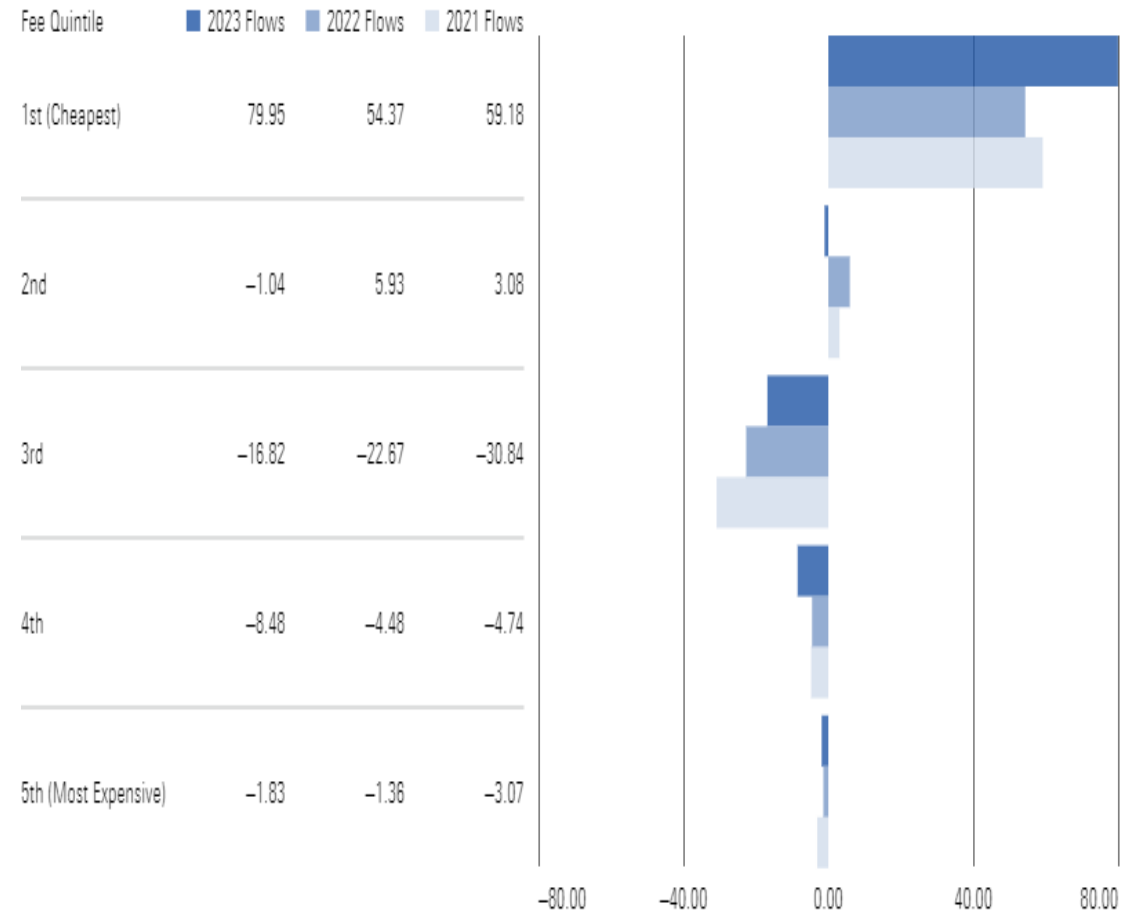
Investors prefer the lowest-cost target-date options. That yearslong trend gathered momentum in 2023 when every target-date mutual fund fee quintile saw outflows except the cheapest, which had more than USD 80 billion in inflows.

- The cheapest quintile’s net flows increased from USD 54.4 billion in 2022 and USD 59.2 billion in 2021.
- Target-date mutual funds in the four more expensive quintiles saw USD 28.2 billion in outflows.

The cheapest share classes of the target-date mutual fund winners in 2023 attracted the most new assets.

- Vanguard Target Retirement Series’ mutual fund version, which charges 8 basis points, took in USD 24 billion.
- American Funds Target Date Retirement series’ R6 shares’ average expense ratio of 0.35% fell in the cheapest fee quintile relative to peers; it took in USD 21.6 billion.
- Fidelity Freedom Index’s three share classes are among the lowest cost in the industry. Its Premier share class’ 6-basis-point fee is the lowest among all target-date funds; its mutual fund series took in nearly USD 16 billion in inflows.

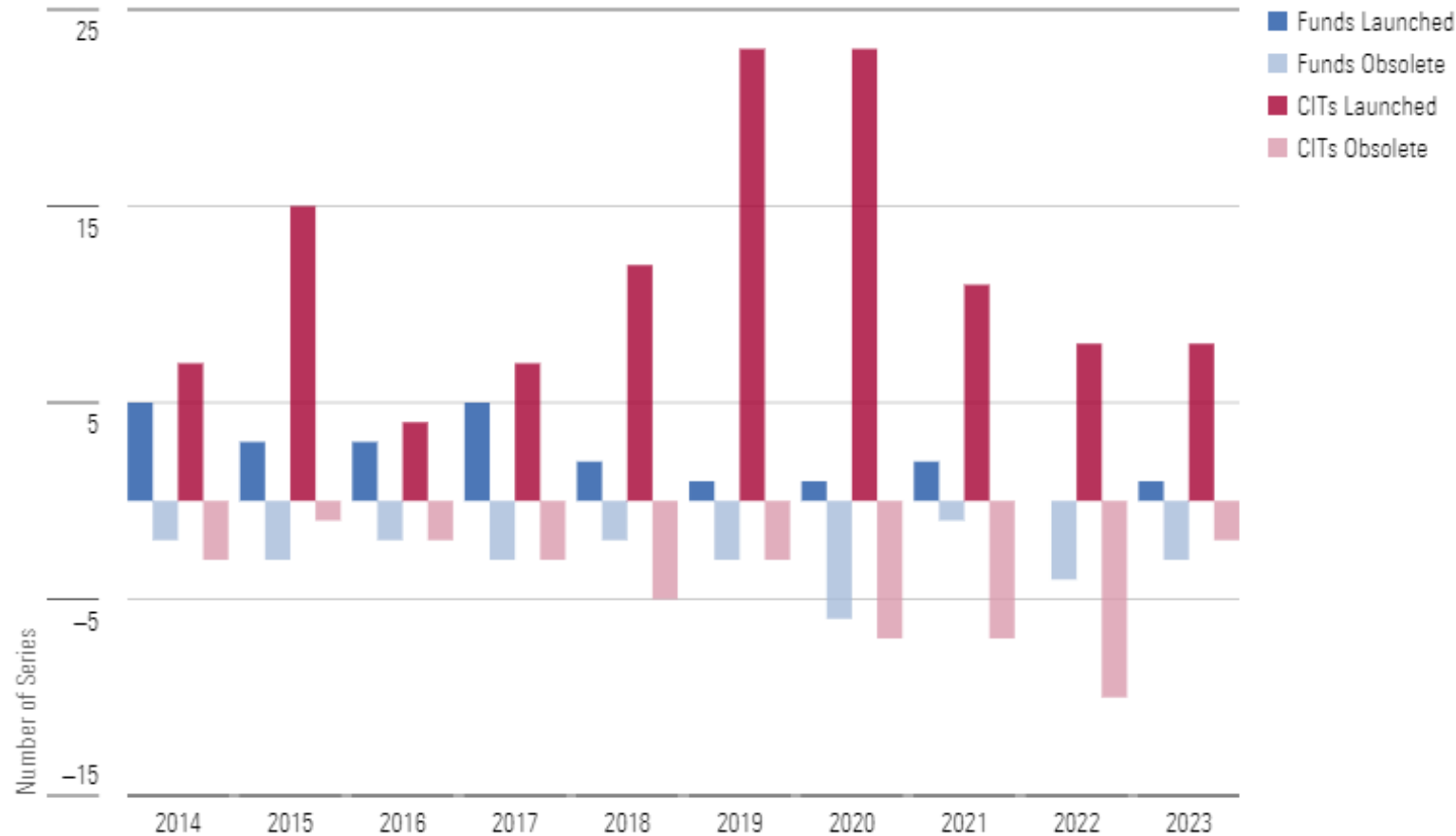
Target-Date Mutual Fund Flows by Quintile (USD Billions)



Source: Morningstar Direct and author’s calculations. Excludes zero-fee shares. Data as of Dec. 31, 2023.

CIT Series Continued to Launch, With Closures Trending Down

Target-Date Launches and Terminations, 2014-23



The target-date industry continues to mature. Target-date CIT launches boomed in 2018-21 but have settled at eight new series in each of the last two years. There have been fewer mutual fund launches, but there have also been fewer closures of both types of vehicles.

- Target-date providers launching CIT series mimicking their flagship offerings caused the CIT growth spurt.
- There were five total mutual fund and CIT target-date closures in 2023, fewer than in recent years.

Source: Morningstar Direct. Data as of Dec. 31, 2023.

US Target-Date Strategies: Assets

In a photo-finish year, most target-date assets were still in mutual funds.

Assets Hit a Record High

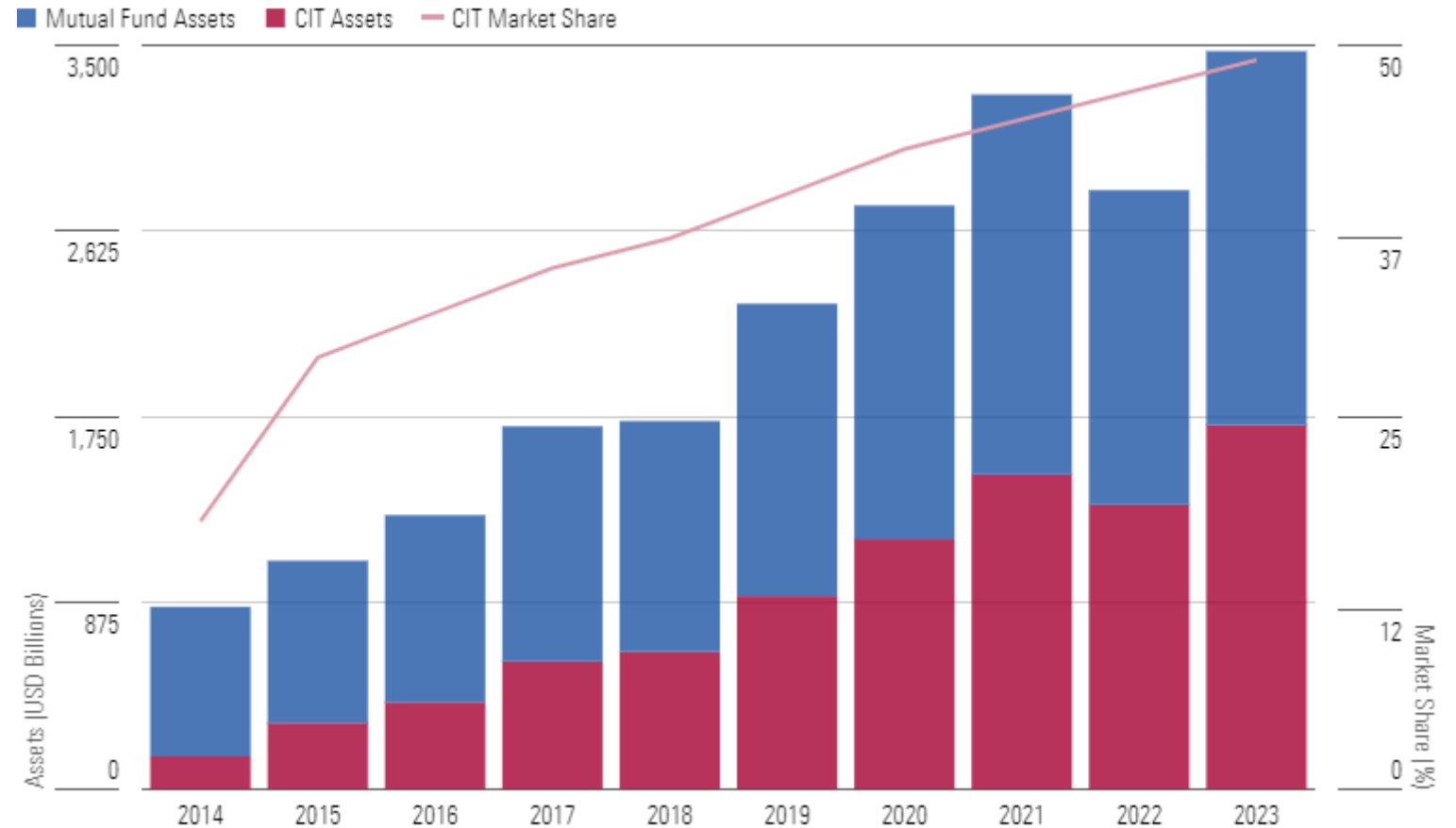
Target-date strategies hit a record USD 3.5 trillion at the end of 2023 due to positive flows and strong market appreciation.

- Investors have deposited nearly USD 522 billion into target-date strategies over the past four years.

Target-date CITs' assets almost caught target-date mutual funds' in 2023.

- CITs dominated net inflows but at the end of the year reached 49% of the market share. That was up from 47% in 2022 and 9 percentage points from five years earlier, but it was short of overtaking mutual funds as the most popular target-date vehicle.
- Still, CITs are poised to become the most popular target-date vehicle by year-end 2024.

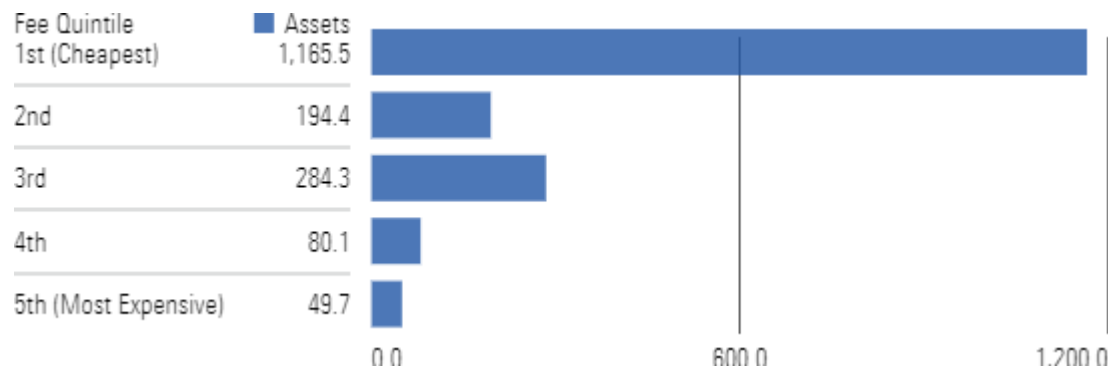
Total Target-Date Assets



Source: Morningstar Direct and surveyed data. Totals do not include custom target-date strategies. Data as of Dec. 31, 2023.

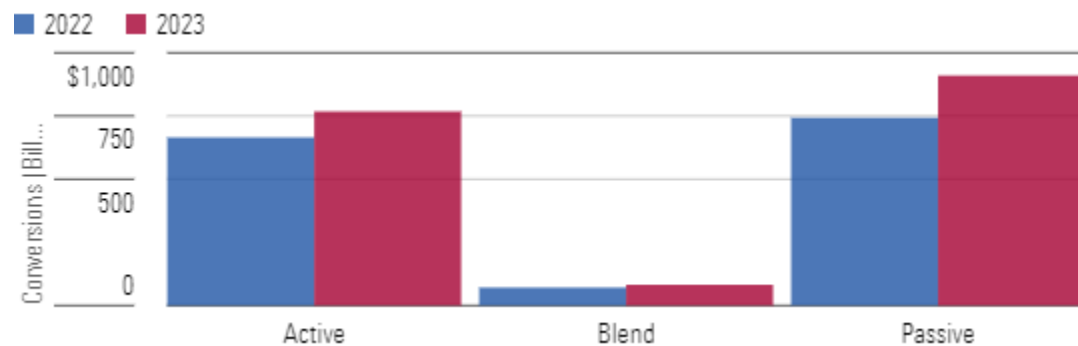
Mutual Fund Asset Breakout

Target-Date Mutual Fund Assets by Fee Quintile (USD Billions)



Source: Morningstar Direct. Data as of Dec. 31, 2023.

Target-Date Mutual Fund Assets by Portfolio Construction



Source: Morningstar Direct. Data as of Dec. 31, 2023.

Investors' dollars mostly sit with the lowest-cost options, a byproduct of the momentum of flows. As of December 2023, the cheapest quintile had nearly USD 1.17 trillion in assets, accounting for 66% of total target-date mutual fund assets.

- The third-cheapest quintile's assets surpassed the second's. The more expensive shares of Fidelity Freedom, T. Rowe Price Retirement, and American Funds Target Retirement drove the larger asset base in that group.

Index-based series had the most target-date mutual fund assets at the end of 2023. Roughly USD 910 billion, or 52% of target-date mutual fund assets, were in passive series, which have gained market share at the expense of active-based series, which had just shy of 44% of the market. Blend target-date mutual fund series' market share remained consistent but small.

- Morningstar considers all target-date series actively managed since portfolio managers make asset-allocation and glide path decisions. It uses *active* and *passive* to describe series' underlying holdings.
- If more than 75% of a series' portfolios are in index funds, it's passive.
- Those with less than 25% of assets in index funds are active.
- Those with between 25% and 75% of assets in passive fund are blend offerings.

Vanguard Continued to Hold the Vast Majority

A handful of asset managers dominated the target-date industry. The top five managers controlled about 80% of the market, and the top 10 claimed about 94%. FlexPath snuck past Charles Schwab into 10th place, but the top player, Vanguard, seemed unassailable, with more than twice the assets of runner-up Fidelity. Unlike most of the rest of the top 10, Vanguard only offers one series of target-date mutual funds and CITs.

The 10 Largest Target-Date Managers

	Assets, USD Billions		Total TDF	Market Share	
	Mutual Fund	CIT		2023	2022
			1,293	37.2%	37.5%
Vanguard Target Retirement	620	673			
			495	14.3%	14.2%
Fidelity Freedom	193	8			
Fidelity Freedom Index	136	59			
Fidelity Freedom Blend	15	57			
Fidelity Advisor Freedom	19				
Fidelity Freedom Plus		7			
			395	11.3%	11.4%
T. Rowe Price Retirement	164	195			
T. Rowe Price Retirement Hybrid		18			
T. Rowe Price Retirement Blend	1	11			
T. Rowe Price Target	4	2			
			334	9.6%	8.8%
BlackRock LifePath Index	69	262			
BlackRock LifePath Dynamic	1	1			
			286	8.2%	8.0%
American Funds Target Date Retirement	272	14			
			165	4.7%	4.3%
State Street Target Retirement	17	147			

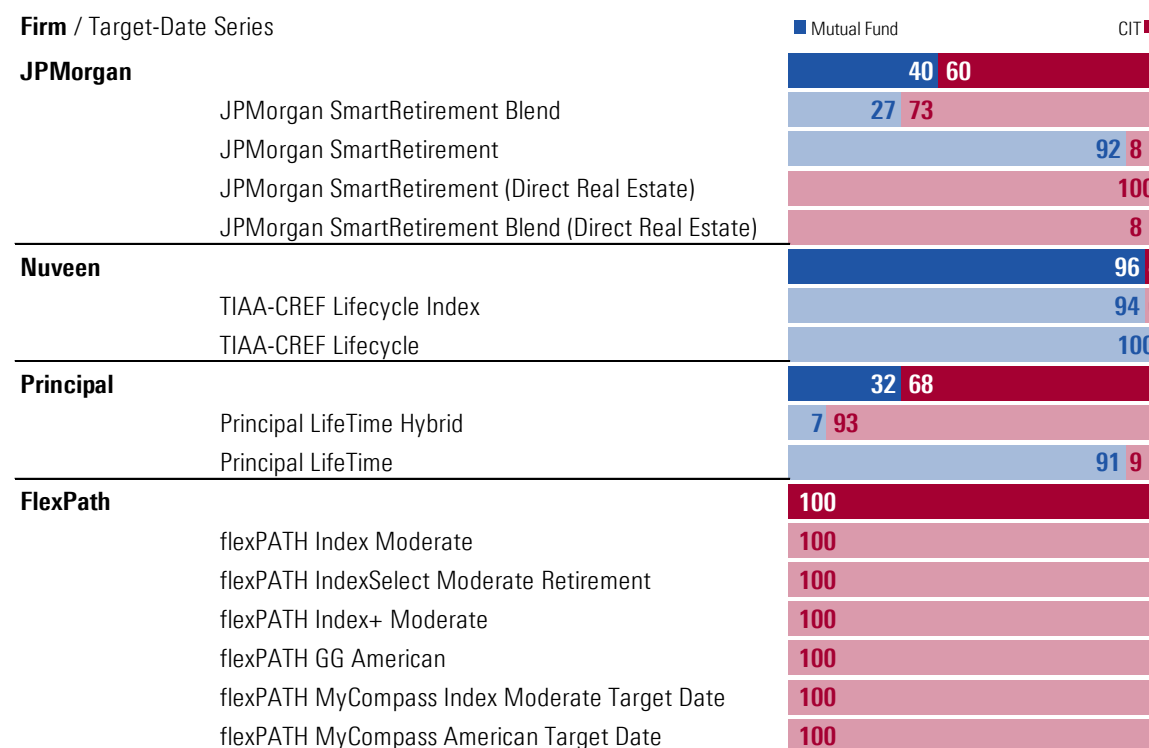
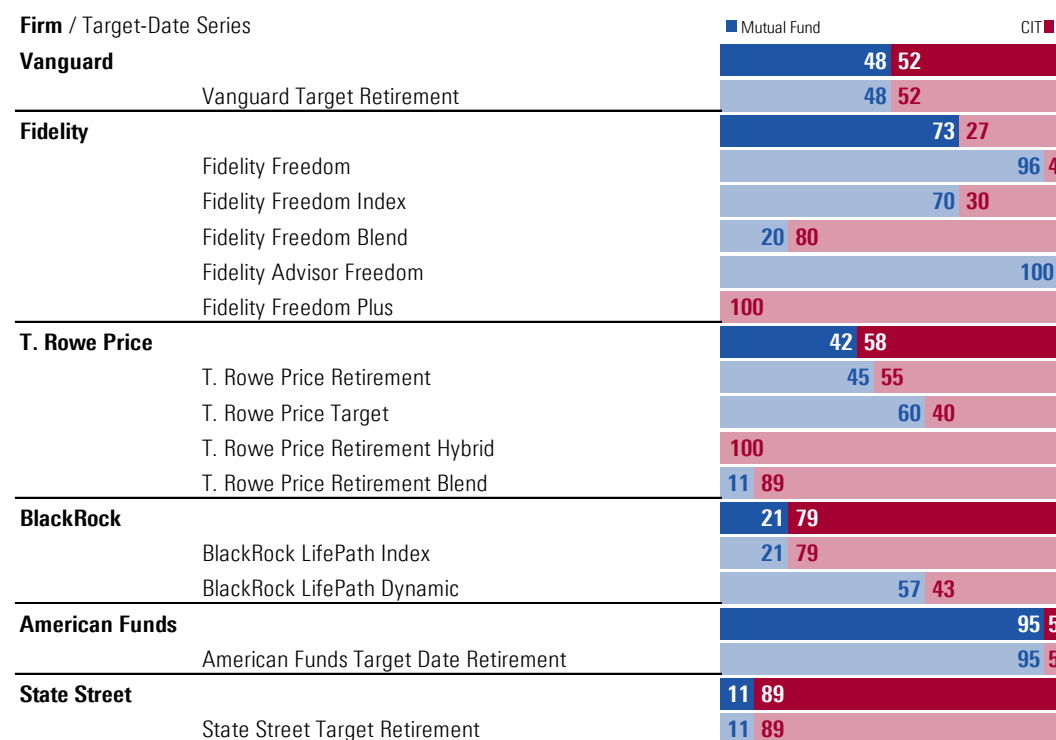
Firm / Target-Date Series	Assets, USD Billions		Total TDF	Market Share	
	Mutual Fund	CIT		2023	2022
JPMorgan			99	2.9%	3.1%
JPMorgan SmartRetirement Blend	15	41			
JPMorgan SmartRetirement	25	2			
JPMorgan SmartRetirement (Direct Real Estate)		12			
JPMorgan SmartRetirement Blend (Direct Real Estate)		5			
Nuveen			90	2.6%	2.6%
TIAA-CREF Lifecycle Index	52	4			
TIAA-CREF Lifecycle	34				
Principal			86	2.5%	2.6%
Principal LifeTime Hybrid	4	56			
Principal LifeTime	23	2			
FlexPath			32		
flexPATH Index Moderate		7		1.0%	1.0%
flexPATH IndexSelect Moderate Retirement		6			
flexPATH Index+ Moderate		5			
flexPATH GG American		3			
flexPATH MyCompass Index Moderate Target Date		2			
flexPATH MyCompass American Target Date		1			

Source: Morningstar Direct and surveyed data. Data as of Dec. 31, 2023. Custom target-date assets are excluded from the calculations. The tables only list out series from each manager that has over USD 1 billion in assets. Those with less than USD 1 billion are still included in the manager's total number. BlackRock's total target-date assets includes those from its ETF series. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

Mutual Funds vs. CITs at the Top 10 Managers

Vanguard, T. Rowe Price, BlackRock, State Street, JPMorgan, and Principal each have more target-date assets in CITs than in mutual funds. FlexPath only offers target-date CITs; it offers its strategies exclusively through Great Gray. Fidelity, American Funds, and Nuveen still had more target-date assets in mutual funds. Despite more firms favoring CITs, mutual funds had greater aggregated assets.

The 10 Largest Target-Date Managers



Source: Morningstar Direct and surveyed data. Data as of Dec. 31, 2023. Custom target-date assets are excluded from the calculations. The tables only list out series from each manager that has over USD 1 billion in assets. Those with less than USD 1 billion are still included in the manager's total number. BlackRock's total target-date assets includes those from its ETF series. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

US Target-Date Strategies: Fees

Fees continued their downward trend.

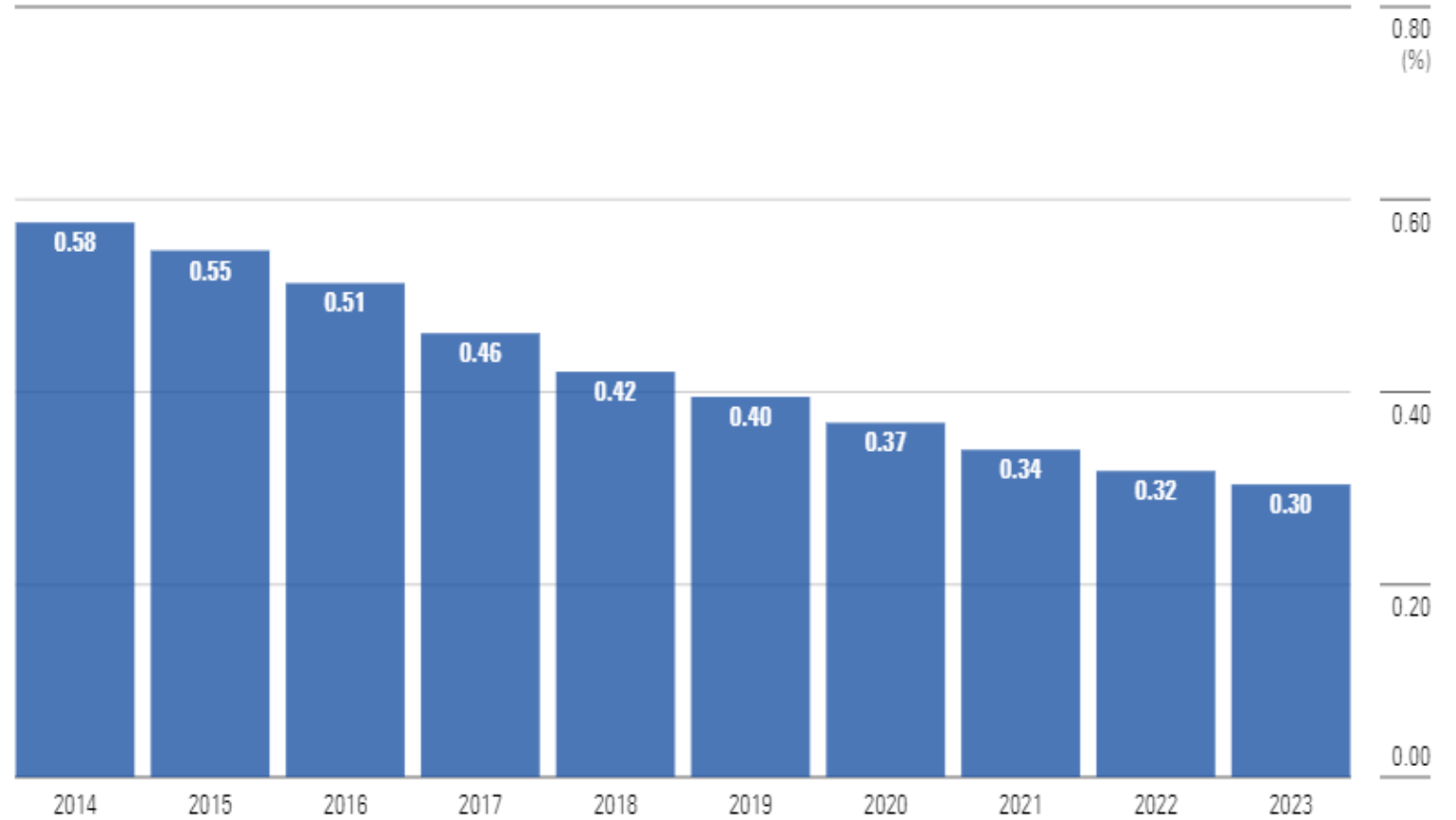
Fees Remained on a Downward Trend

Target-date investors are paying less. Over the past decade, the average target-date funds' prospectus net expense ratio weighted by year-end assets has fallen. Investors have chosen lower-cost options, but firms have cut fees, too. Lower fees means more savings for investors.

The asset-weighted fee dropped 4.6% to 30 from 32 basis points in 2023. Expenses have nearly halved over the last decade, dropping by an average of 6.2% annually.

- Fee drops will get smaller as they continue their downward trend. Last year's percentage decline was the lowest since 2014.
- Any fee drop still helps investors.
- CIT fee data aren't as transparent and therefore aren't included, but anecdotal evidence indicates CITs would lower the average asset-weighted fee.

Target-Date Funds' Year-End Asset-Weighted Net Expense Ratio (%), 2014-23



Source: Morningstar and author's calculations. Excludes zero-fee share classes and includes obsolete funds. Data as of Dec. 31, 2023.

PGIM Made 2023's Biggest Fee Reduction

Five target-date mutual fund series reduced fees by about 5% in 2023. The PGIM Target Date funds, formerly known as the Prudential Day One Funds, recorded the biggest drop, almost twice the next series'. PGIM cut each fund's fee by 15 basis points to 0.25% in October 2023. It also slashed management fees to zero from 0.02% and replaced some underlying actively managed equity strategies with passive offerings, further reducing costs.

Average Target-Date Prospectus Adjusted Expense Ratio

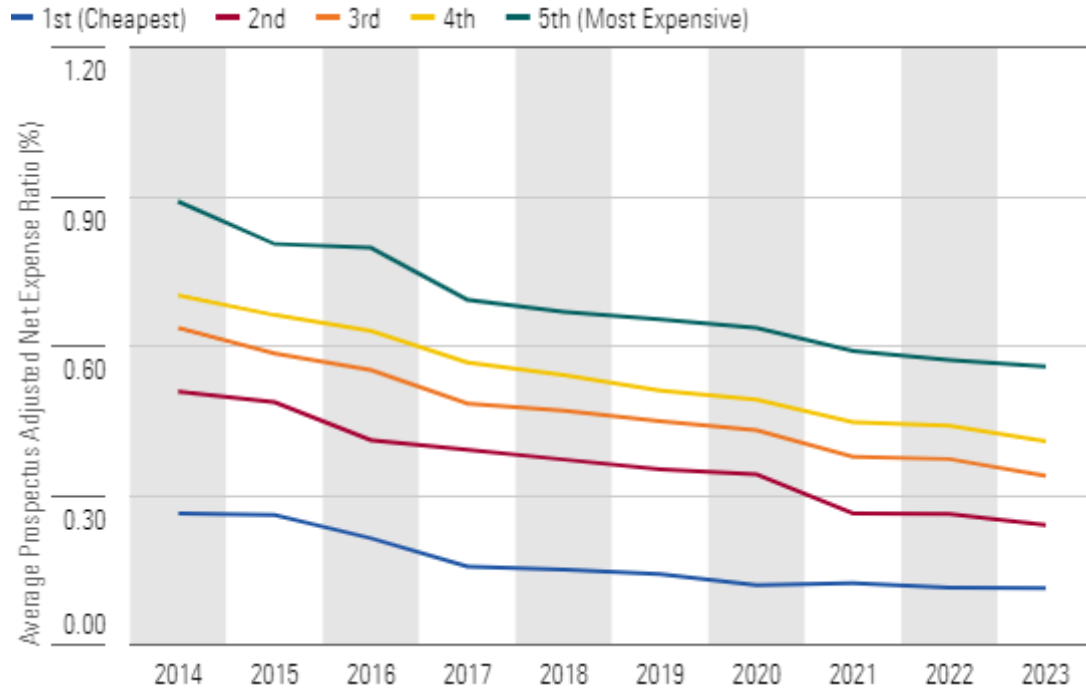
Series Name	2022 Avg Expense Ratio, %	2023 Avg Expense Ratio, %	Reduction	% Change
PGIM Target Date Income Series	0.73	0.58	(0.15)	-20.5%
Schwab Target Series	0.54	0.45	(0.08)	-15.6%
T. Rowe Price Retirement Series	0.72	0.65	(0.07)	-10.2%
Putnam Sustainable Retirement Series	1.01	0.97	(0.05)	-4.7%
Fidelity Freedom Series	0.55	0.52	(0.03)	-5.8%

Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2023.

How Low Can Fees Go?

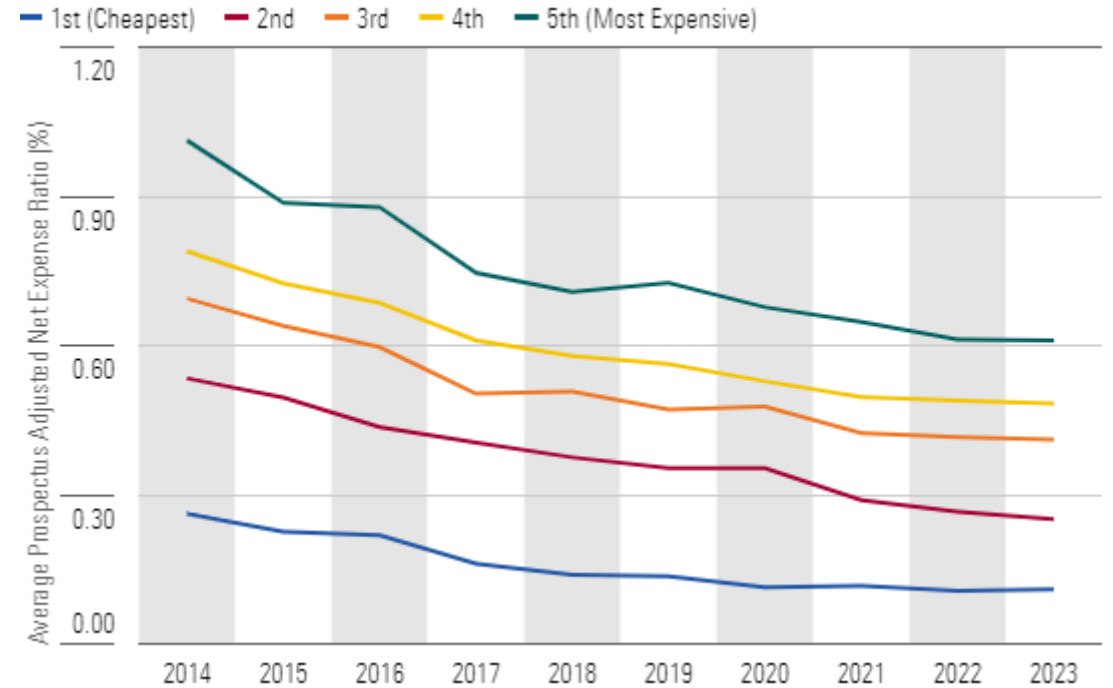
In 2023, target-date mutual fund fees fell, continuing a trend that has gathered steam in the last decade. Since 2014, the average fee of each quintile has plunged. Fees for the 2025 and 2055 funds fell by nearly 50%, or a respective 33 and 40 basis points, through December 2023. The cheapest cohorts, which have less room to reduce fees, saw drops of 15 basis points each. As the cheapest target-date funds inch closer to their price floors, their cost advantage relative to the middle quintile has steadily narrowed. A decade ago, they held 37- and 43-basis-point leads, respectively, which has since been whittled down to 23 and 30 basis points, respectively.

Average Year-End Prospectus Adjusted Net Expense Ratio by Quintile: 2025 Funds



Source: Morningstar Direct and author's calculation. Data as of Dec. 31, 2023.

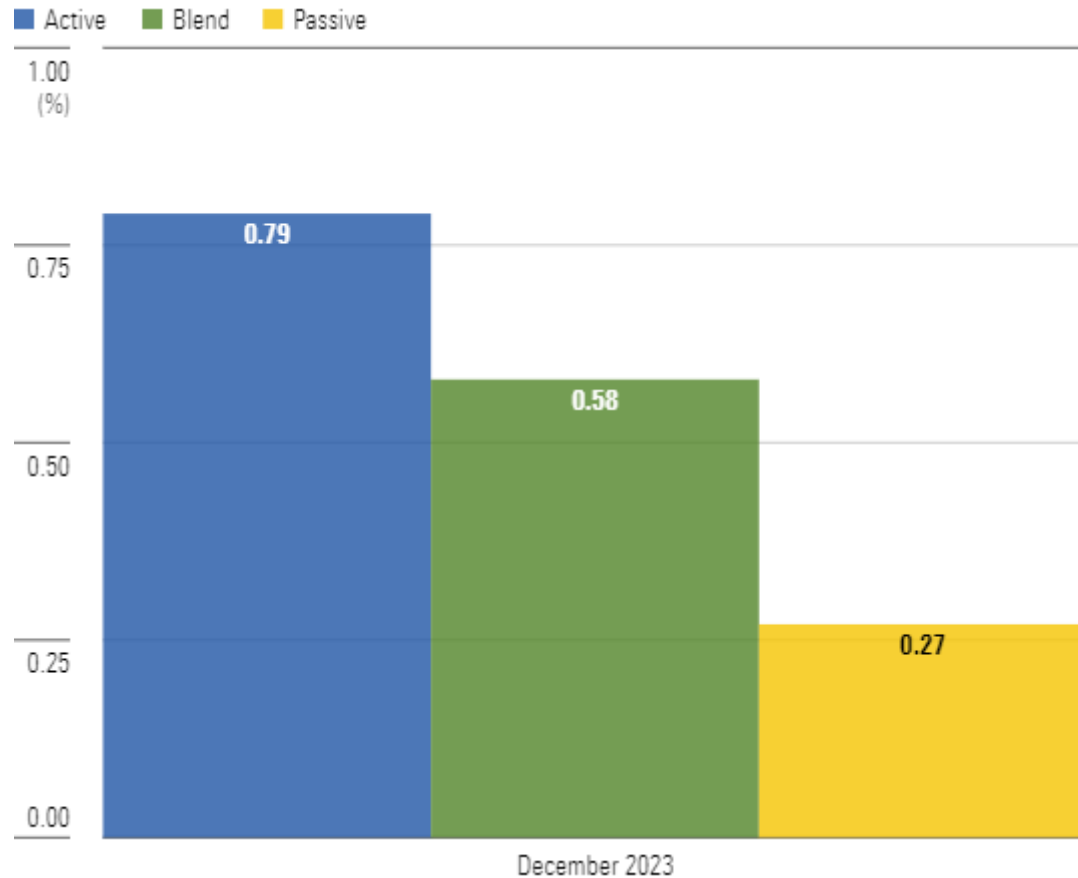
Average Year-End Prospectus Adjusted Net Expense Ratio by Quintile: 2055 Funds



Source: Morningstar and author's calculations. Data as of Dec. 31, 2023.

Index-Based Series Provided a Leg Up on Fees

Average Prospectus Adjusted Net Expense Ratio (%) by Portfolio Construction



Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2023.

Target-date mutual fund portfolios composed of mostly index funds are cheaper. Their expense ratio of 0.27% is 52 and 31 basis points lower than the active and blend series' averages, respectively. This helps explain index target-date strategies' popularity.

- Active- and blend-based target-date series experienced a slight decrease in average fees, falling from 0.82% and 0.61%, respectively. Index-based series are closer to the floor, and the average fee remained consistent over the past year.

Blend series have gained popularity in recent years among investors who don't view the active/passive debate as an either/or question.

- Blend series' 0.58% average fee is 21 basis points lower than the active series average. That's not as cheap as indexed series, but every basis point counts among competitively priced target dates.

US Target-Date Strategies: Morningstar Medalist Ratings

Morningstar's top target-date picks.

Morningstar Medalist Ratings

The Morningstar Medalist Rating is a forward-looking rating assigned based on a strategy's investment merits. The ratings range across Gold, Silver, Bronze, Neutral, and Negative. The highest ratings go to series that have the best chance to collectively outperform over a full market cycle on a risk-adjusted basis net of fees.

- Morningstar Manager Research analysts currently assign Medalist Ratings to 30 mutual fund target-date series and 27 CIT target-date series.
- The CIT series are mostly clones of their mutual fund counterparts. Target-date series from Manning & Napier and IndexSelect, though, are only available as CITs.
- The following slides feature the target-date series with 100% analyst coverage.

The Medalist Ratings for three target-date mutual fund series and two target-date CIT series changed in 2023. Two target-date mutual fund series experienced Pillar rating changes, but their overall ratings remained the same. Two target-date CIT series were brought under coverage.

- The mutual fund and CIT versions of Fidelity Freedom Index and Fidelity Freedom Blend both earned People Pillar upgrades. Higher conviction in their robust asset-allocation team and strong resources drove the upgrade. As a result, their Medalist Ratings were upgraded to Gold and Silver, respectively.
- JPMorgan SmartRetirement Blend (mutual fund) moved to Silver from Bronze, though none of the underlying pillars changed. Shifts in the peer group resulted in the series looking more attractive relative to the competition.
- John Hancock Multimanager Lifetime received a Process Pillar rating downgrade to Below Average from Average because of its overly complex portfolio construction; the Medalist Rating remained Neutral.
- Natixis Sustainable Future earned an upgrade to its People Pillar to Average from Below Average. Despite having a smaller team than more established target-date peers, it's sufficiently resourced to guide the series.
- The CIT versions of Nuveen TIAA-CREF Lifecycle Index and John Hancock Lifetime Blend came under 100% analyst coverage. The former debuted with a Bronze-rating and the latter earns a Neutral.

Morningstar Medalist Ratings


















































Morningstar Medalist Ratings for Target-Date Mutual Funds, Analyst-Covered

Strategy Name	Morningstar Medalist Rating	Pillar Rating ↑ Upgrades ↓ Downgrades		
		People	Process	Parent
American Funds Target Date Retirement	Gold	High	High	High
T. Rowe Price Retirement	Gold	High	High	High
T. Rowe Price Retirement Blend	Gold	High	High	High
BlackRock LifePath Index	Gold	High	Above Average	Above Average
Fidelity Freedom Index	Gold ↑	High ↑	Above Average	Above Average
Pimco RealPath Blend	Gold	High	Above Average	Above Average
MassMutual Select TRP Retirement	Silver	High	High	Average
BlackRock LifePath Dynamic	Silver	High	Above Average	Above Average
Fidelity Advisor Freedom	Silver	High	Above Average	Above Average
Fidelity Freedom	Silver	High	Above Average	Above Average
Fidelity Freedom Blend	Silver ↑	High ↑	Above Average	Above Average
JPMorgan SmartRetirement Blend	Silver ↑	Above Average	Above Average	Above Average
State Street Target Retirement	Silver	Above Average	Above Average	Above Average
Vanguard Target Retirement	Silver	Above Average	Above Average	High
MFS Lifetime	Bronze	Above Average	Above Average	High

Source: Morningstar Direct. Data as of March 26, 2024.

Morningstar Medalist Ratings









































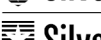



















Morningstar Medalist Ratings for Target-Date Mutual Funds, Analyst-Covered

Strategy Name	Morningstar Medalist Rating	Pillar Rating ↑ Upgrades ↓ Downgrades		
		People	Process	Parent
JPMorgan SmartRetirement	 Bronze	 Above Average	 Above Average	 Above Average
Schwab Target Index	 Bronze	 Above Average	 Average	 Above Average
TIAA-CREF Lifecycle Index	 Bronze	 Average	 Above Average	 Average
Voya Index Solution	 Bronze	 Average	 Above Average	 Average
American Century One Choice	Neutral	 Average	 Average	 Average
Dimensional Target Date Retirement Income	Neutral	 Average	 Average	 High
John Hancock Lifetime Blend Portfolio	Neutral	 Average	 Average	 Above Average
MassMutual RetireSMART by JPM	Neutral	 Average	 Average	 Average
Natixis Sustainable Future	Neutral	 Average ↑	 Average	 Average
Principal LifeTime	Neutral	 Average	 Average	 Average
Principal Lifetime Hybrid	Neutral	 Average	 Average	 Average
Schwab Target	Neutral	 Average	 Average	 Above Average
TIAA-CREF Lifecycle	Neutral	 Average	 Average	 Average
Voya Solution	Neutral	 Average	 Average	 Average
John Hancock Multimanager Lifetime	Neutral	 Average	 Below Average ↓	 Above Average

Source: Morningstar Direct. Data as of March 26, 2024. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

Morningstar Medalist Ratings











































Morningstar Medalist Ratings for Target-Date CITs, Analyst-Covered

Strategy Name	Morningstar Medalist Rating	Pillar Rating ↑ Upgrades ↓ Downgrades		
		People	Process	Parent
Capital Group Target Date Retirement	 Gold	 High	 High	 High
T. Rowe Price Retirement	 Gold	 High	 High	 High
T. Rowe Price Retirement Blend	 Gold	 High	 High	 High
BlackRock LifePath Index	 Gold	 High	 Above Average	 Above Average
BlackRock LifePath Index Non-Lendable	 Gold	 High	 Above Average	 Above Average
BlackRock LifePath Index, Great Gray	 Gold	 High	 Above Average	 Average
BlackRock LifePath Index Non-Lendable, Great Gray	 Gold	 High	 Above Average	 Average
Fidelity Freedom Index	 Gold ↑	 High ↑	 Above Average	 Above Average
Pimco RealPath Blend	 Gold	 High	 Above Average	 Above Average
Fidelity Freedom	 Silver	 High	 Above Average	 Above Average
Fidelity Freedom Blend	 Silver ↑	 High ↑	 Above Average	 Above Average
JPMorgan SmartRetirement Passive Blend	 Silver	 Above Average	 Above Average	 Above Average
State Street Target Retire Lending	 Silver	 Above Average	 Above Average	 Above Average
State Street Target Retire Non-Lending	 Silver	 Above Average	 Above Average	 Above Average
Vanguard Target Retirement	 Silver	 Above Average	 Above Average	 High

Source: Morningstar Direct. Data as of March 26, 2024.

Morningstar Medalist Ratings

Morningstar Medalist Ratings for Target-Date CITs, Analyst-Covered

Strategy Name	Morningstar Medalist Rating	Pillar Rating ↑ Upgrades ↓ Downgrades		
		People	Process	Parent
JPMorgan SmartRetirement	 Bronze	 Above Average	 Above Average	 Above Average
Schwab Indexed Retirement Trust	 Bronze	 Above Average	 Average	 Above Average
IndexSelect Aggressive Retirement	 Bronze	 Above Average	 Average	 Average
IndexSelect Conservative Retirement	 Bronze	 Above Average	 Average	 Average
IndexSelect Moderate Retirement	 Bronze	 Above Average	 Average	 Average
Nuveen TIAA-CREF Lifecycle Index	 Bronze	 Average	 Above Average	 Average
American Century Target Date	Neutral	 Average	 Average	 Average
Manning & Napier Retirement Target	Neutral	 Average	 Average	 Average
John Hancock Lifetime Blend	Neutral	 Average	 Average	 Above Average
Principal Lifetime Hybrid Target	Neutral	 Average	 Average	 Average
Schwab Managed Retirement Trust	Neutral	 Average	 Average	 Above Average
Voya Target Solution Trust	Neutral	 Average	 Average	 Average

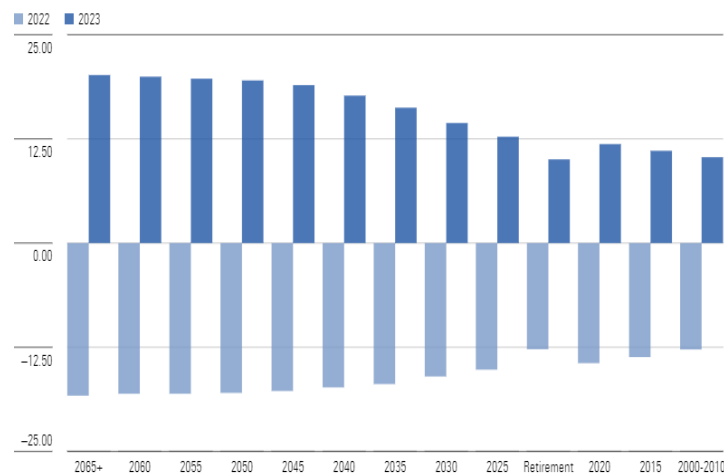
Source: Morningstar Direct. Data as of March 26, 2024.

US Target-Date Strategies: Performance

Target-date strategies bounced back from 2022's turmoil.

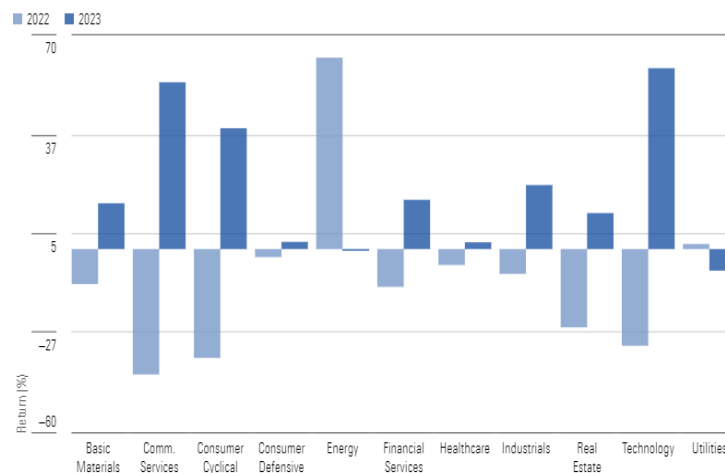
Target-Date Strategies Delivered Positive Returns Across the Glide Path

Target-Date Fund Morningstar Category Annual Returns



Source: Morningstar Direct. Data as of Dec. 31, 2023.

US Equity Sector Annual Returns



Source: Morningstar Direct. Data as of Dec. 31, 2023. Returns reflect Morningstar US sector indexes.

Interest-Rate Volatility



Source: Federal Reserve Bank of St. Louis. Data as of Dec. 31, 2023.

Target-date strategies rode broader market tailwinds in 2023 after a tumultuous 2022 in which even conservative target-date Morningstar Categories dropped by double digits. US target-date category returns in 2023 ranged from 10.3% for the most conservative peer group to 20.2% for the most equity-heavy.

- The rebound favored funds concentrating in the technology, communications, and consumer cyclical sectors, while energy, 2022's only bright spot, flatlined in 2023.
- Bonds rebounded in 2023 to a lesser extent, limiting the recovery of portfolios closer to retirement. Yields plummeted at the end of the year, rewarding investors who stayed the course.

Younger Investors Experienced a Bounceback

Markets favored later target-date funds with heavier equity allocations and more exposure to outperforming sectors like technology. That benefited younger investors, who typically own such funds. The largest 10 target-date 2055 series, as measured by mutual fund and CIT assets, mostly stuck with their allocations despite a tricky 2022, which caused their category rankings to be in flux from one year to the next.

American Funds Target Date Retirement and T. Rowe Price Retirement's category rankings improved the most from 2022 to 2023.

- The growth-stock-heavy, energy-light American Funds Target Date Retirement suffered steep losses in 2022 as value outperformed. It bounced back in 2023, though, as the tide turned. Its affinity for large-cap and growth stocks compensated for a slightly lower equity allocation.
- T. Rowe Price Retirement also suffered in 2022 for its growth tilt and lower energy exposure as well as some poor security selection from underlying active managers. Most of those factors were positives in 2023; its higher equity allocation compared with peers also boosted results.
- BlackRock LifePath Index also experienced a swing in results, though not as dramatic as T. Rowe Price's and American Funds'. Its US equity tilt gave it an edge in 2023.

2055 Target-Date Fund Annual Returns and Rankings

Series	Ticker	2022 Return	2022 Category Rank	2023 Return	2023 Category Rank
BlackRock LifePath Index	LIVKX	-18.3	50	21.6	9
American Funds Target Date Retirement	RFKTX	-19.5	89	21.4	9
Fidelity Freedom	FCTKX	-18.1	41	20.8	25
T. Rowe Price Retirement	TRRNX	-19.2	82	20.8	26
Fidelity Freedom Blend	FHDDX	-18.9	72	20.8	26
Principal LifeTime Hybrid	PLHTX	-18.4	54	20.3	43
Vanguard Target Retirement	VFFVX	-17.5	24	20.2	49
Fidelity Freedom Index	FFLDX	-18.2	44	19.9	58
JPMorgan SmartRetirement Blend	JTYBX	-17.6	26	19.7	63
State Street Target Retirement	SSDOX	-19.1	76	19.4	69
US Fund Target-Date 2055		-18.1		19.7	

Source: Morningstar Direct, Data as of Dec. 31, 2023. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

Investors Closer to Retirement Earned Positive Returns

2025 Target-Date Fund Annual Returns and Rankings

Series	Ticker	2022 Return	2022 Category Rank	2023 Return	2023 Category Rank
T. Rowe Price Retirement	TRRHX	-15.7	57	14.6	6
Vanguard Target Retirement	VTTVX	-15.5	52	14.5	11
Fidelity Freedom	FDTKX	-16.5	83	14.4	11
Fidelity Freedom Blend	FHLDX	-17.1	92	14.3	13
Fidelity Freedom Index	FFEDX	-16.6	85	13.9	27
State Street Target Retirement	SSBSX	-15.3	42	13.7	34
JPMorgan SmartRetirement Blend	JBYSX	-15.2	37	13.4	40
Principal LifeTime Hybrid	PLFTX	-15.2	36	13.3	43
BlackRock LifePath Index	LIBKX	-15.8	61	12.4	64
American Funds Target Date Retirement	RFDTX	-12.7	8	11.9	73
US Fund Target-Date 2025		-15.2		12.8	

Drawdowns, such as 2022's, are painful for investors near or in retirement, whose nest eggs have less time to recover. So, investors in near-dated target-date series welcomed 2023's rebound, even though their bounce was shallower than their more stock-heavy relatives. The same top-10 series' 2025 funds delivered positive returns last year.

T. Rowe Price Retirement delivered the strongest returns in 2023 and dramatically improved its 2023 ranking.

- The series' active equity managers helped 2023 returns. The series' "through" glide path that keeps more money than its peers in stocks at retirement served investors well last year.

Fidelity Freedom and Fidelity Freedom Blend's rankings jumped the most from 2022 to 2023. American Funds Target Date Retirement also had a big shift, but in the wrong direction.

- The longer duration of Fidelity Freedom's bond portfolio hurt in 2022, but it helped in 2023's fourth quarter.
- American Funds' series gets more conservative than its peers as retirement nears. It holds more fixed income and leans toward value stocks, which hindered it in 2023.

Source: Morningstar Direct. Data as of Dec. 31, 2023. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

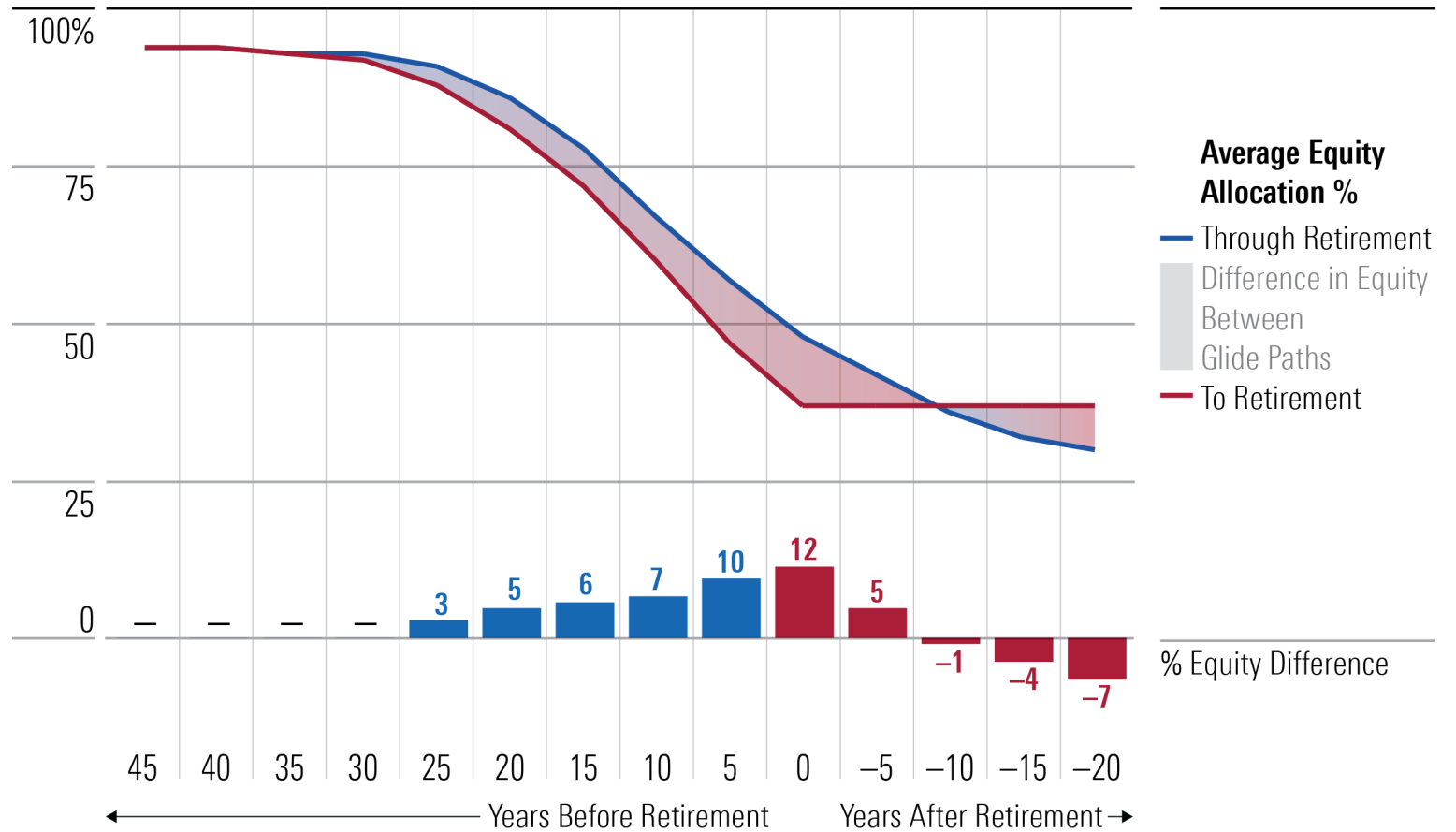
The Importance of the Glide Path

Target-date glide paths play an important role in performance. Differing equity and fixed-income allocations can lead to much different outcomes for investors, particularly as they near retirement or are in retirement.

Each series' landing point serves as a key differentiator.

- Series with a "to" glide path lower their equity allocation until they reach retirement, at which point they convert into a "retirement" fund and remain constant.
- Those that implement a "through" glide path continue to lower their equity stake past the target retirement, typically 10 to 20 years.
- Given "through" glide paths have a further landing point than the "to" peers, they typically have a higher equity allocation at retirement, which investors should be comfortable with prior to investing.

To vs. Through Glide Paths



Source: Morningstar Direct. Data as of Dec. 31, 2023.

Leaders and Laggards

The volatility of the last two years shook up some shorter-term target-date results but left longer-term records largely unchanged. American Funds Target Date Retirement, TIAA-CREF Lifecycle Index, and T. Rowe Price Retirement still have strong 10-year returns. The 10-year ranking of BlackRock LifePath Dynamic, a tactical, active-based series, jumped the most, from 43 to 17.

Trailing Average Category Ranks by Target-Date Mutual Fund – Cheapest Share Class

Series Name	1-Year			3-Year			5-Year			10-Year		
	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change
American Funds Target Date Retirement	42	41	-1	25	6	-19	11	2	-9	2	1	-1
TIAA-CREF Lifecycle Index	25	33	9	26	20	-6	13	9	-4	6	9	3
T. Rowe Price Retirement	16	75	59	33	15	-18	12	13	1	6	10	4
Mutual of America Retirement	48	12	-36	7	18	11	22	22	-1	11	9	-2
BlackRock LifePath Dynamic	12	44	32	18	43	26	14	23	9	17	43	26
TIAA-CREF Lifecycle	47	27	-20	39	23	-16	22	38	16	20	14	-6
MFS Lifetime	86	9	-77	12	7	-5	18	5	-13	21	14	-7
Vanguard Target Retirement	42	35	-7	43	45	2	46	42	-4	21	24	3
Fidelity Freedom	31	50	19	46	29	-17	25	37	12	22	34	12
BlackRock LifePath Index	27	53	26	37	50	13	32	32	0	24	39	15
John Hancock Lifetime Blend Portfolio	76	41	-35	42	23	-19	36	24	-12	25	—	—
Fidelity Advisor Freedom	55	52	-3	68	44	-24	35	31	-4	28	40	12
Voya Index Solution	32	51	19	27	33	6	30	31	1	29	28	-1
John Hancock Multimanager Lifetime	66	77	11	71	18	-53	29	33	4	29	20	-9
Voya Target Retirement	25	74	49	28	23	-5	24	39	15	35	38	3
T. Rowe Price Target	47	46	-2	46	27	-19	40	25	-15	35	—	—

Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2023. The table excludes zero-fee share classes. The series needs to feature five-year vintages to be included and at least a full calendar year of performance. PGIM Target Date Income was previously named Prudential One Day Target Date. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

Leaders and Laggards (continued)

Trailing Average Category Ranks by Target-Date Mutual Fund – Cheapest Share Class (cont.)

Series Name	1-Year			3-Year			5-Year			10-Year		
	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change	12/31/2023	12/31/2022	Rank Change
Great-West Lifetime	80	14	-66	43	32	-11	50	40	-10	38	30	-8
Fidelity Freedom Index	47	51	4	68	65	-3	51	42	-9	40	57	17
Voya Solution	21	91	70	59	58	-1	49	71	22	42	44	2
Principal LifeTime	43	58	15	52	43	-9	28	41	13	42	47	5
JPMorgan SmartRetirement Blend	47	37	-10	37	73	36	64	73	9	46	54	8
JPMorgan SmartRetirement	34	47	13	43	58	15	48	72	24	46	48	2
Schwab Target	19	88	69	56	73	17	62	81	19	59	59	—
American Century One Choice	85	22	-63	78	44	-34	74	43	-31	59	52	-7
Nationwide Destination	45	59	14	61	77	16	62	72	10	60	48	-12
MassMutual RetireSmart by JPM	56	31	-25	29	56	27	54	40	-14	65	53	-12
Putnam Sustainable Retirement	45	3	-42	4	52	48	77	90	13	73	66	-7
Franklin LifeSmart	47	26	-21	14	26	12	49	40	-9	75	60	-15
Guidestone Funds MyDestination	58	24	-34	41	63	22	64	57	-7	79	80	1
MassMutual Select TRP Retirement	9	74	64	28	16	-12	7	—	—	—	—	—
Natixis Sustainable Future	9	61	52	26	28	2	17	10	-7	—	—	—

Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2023. The table excludes zero-fee share classes. The series needs to feature five-year vintages to be included and at least a full calendar year of performance. PGIM Target Date Income was previously named Prudential One Day Target Date. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

Leaders and Laggards (continued)

Trailing Average Category Ranks by Target-Date Mutual Fund – Cheapest Share Class (cont.)

Series Name	1-Year			3-Year			5-Year			10-Year		
	Rank		Change	Rank		Change	Rank		Change	Rank		Change
	12/31/2023	12/31/2022		12/31/2023	12/31/2022		12/31/2023	12/31/2022		12/31/2023	12/31/2022	
Principal Lifetime Hybrid	45	51	6	24	19	-5	23	37	15	—	—	—
State Street Target Retirement	55	64	9	70	39	-31	35	30	-4	—	—	—
Fidelity Freedom Blend	33	73	40	68	53	-15	37	—	—	—	—	—
Schwab Target Index	20	36	16	19	47	27	38	35	-3	—	—	—
PGIM Target Date Income	83	7	-76	4	7	3	47	25	-22	—	—	—
Pimco RealPath Blend	67	49	-18	40	39	-2	48	37	-11	—	—	—
Dimensional Target Date Retirement Income	68	42	-26	44	25	-19	51	35	-15	—	—	—
Transamerica ClearTrack	43	72	29	53	59	5	53	60	7	—	—	—
1290 Retirement	98	6	-92	62	88	26	97	62	-35	—	—	—
Putnam Retirement Advantage	17	23	5	12	25	13	—	—	—	—	—	—
BlackRock LifePath ESG Index	30	56	26	27	—	—	—	—	—	—	—	—
T. Rowe Price Retirement Blend	7	48	42	—	—	—	—	—	—	—	—	—
American Century One Choice Blend+	83	13	-70	—	—	—	—	—	—	—	—	—

Source: Morningstar Direct and author's calculations. Data as of Dec. 31, 2023. The table excludes zero-fee share classes. The series needs to feature five-year vintages to be included and at least a full calendar year of performance. PGIM Target Date Income was previously named Prudential One Day Target Date. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

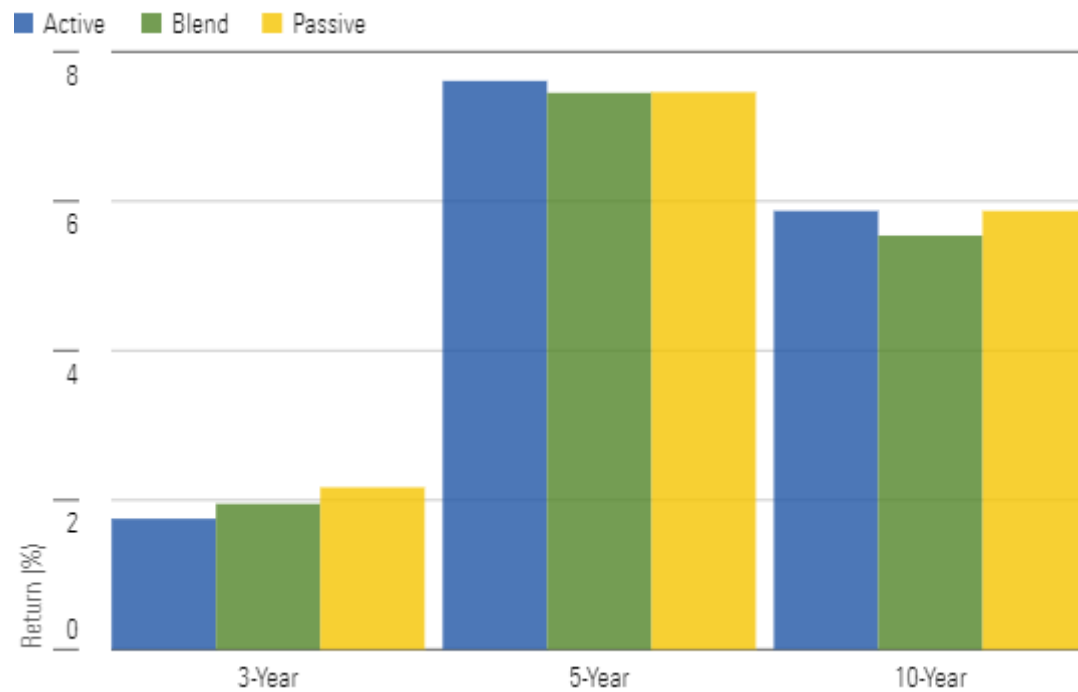
US Target-Date Strategies: The Cost of Active Management

Does underlying active management clear its expense hurdle?

Different Portfolio Construction Leads to Similar Returns

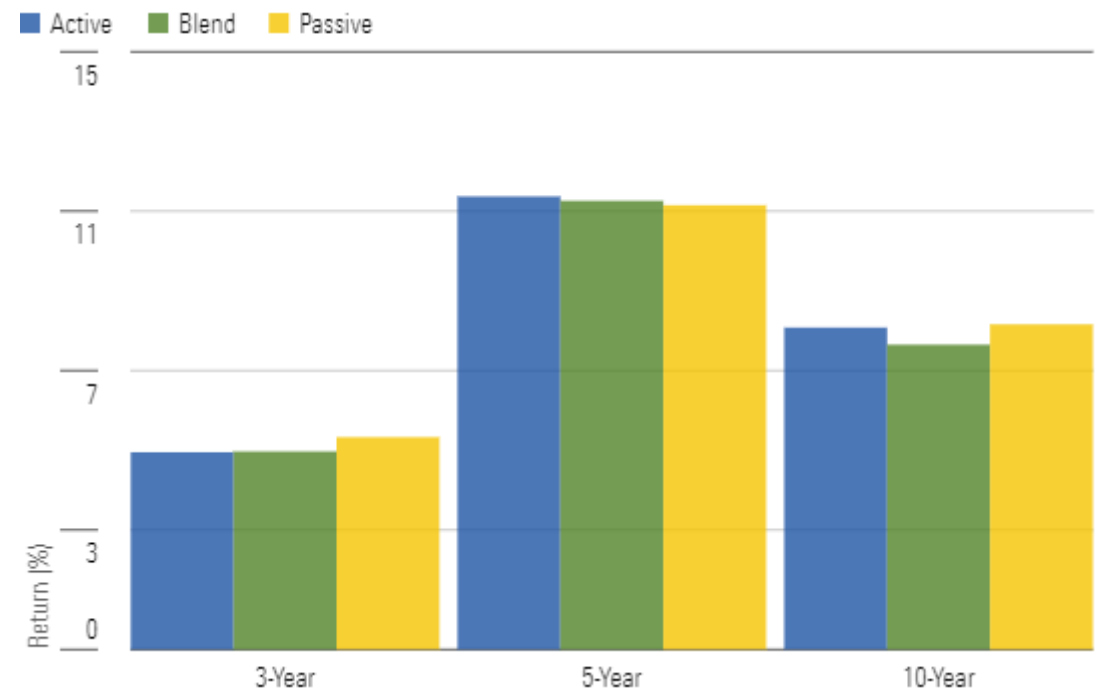
Target-date providers have had to offer cheaper alternatives in response to investors' growing preference for lower-cost target-date series. By swapping actively managed underlying funds for index-trackers, providers can offer the same glide paths with cheaper building blocks and lower overall costs. Some providers even offer options that blend active and passive components. The charts below show the median returns of 2025 and 2055 target-date vintages from a sample group of providers that offer active, passive, and blend options using the same glide path. On a total return basis, active options don't show much of an advantage over passive and blend, largely because of higher costs.

Median Returns Across 2025 Funds With Multiple Portfolio Construction Options



Source: Morningstar Direct and author's calculation. Data as of Dec. 31, 2023..

Median Returns Across 2055 Funds With Multiple Portfolio Construction Options



Source: Morningstar Direct and author's calculation. Data as of Dec. 31, 2023..

No Definitive Edge

Beyond the underlying components, another factor to consider is whether the team implements tactical, or short-term, allocation moves. The table below outlines the series used in our sample. There is no definitive edge on which way proves more beneficial. Some target-date managers had more success with their active options; BlackRock's, Fidelity's, and JPMorgan's active 2025 and 2055 vintages more often than not topped their blend or index-based siblings, albeit by small margins. Schwab's, T. Rowe Price's, Nuveen's, and Voya's lower-cost options prevailed.

2025 and 2055 Returns for Active, Blend, and Index-Based Series

	Ticker	Inception Date	Portfolio Construction	Strategic/Tactical	Return (%)		
					3-Year	5-Year	10-Year
BlackRock							
BlackRock LifePath Dynamic 2025	LPBKX	6/30/2010	Active	Tactical	1.63	7.30	5.74
BlackRock LifePath Index 2025	LIBKX	5/31/2011	Passive	Strategic	1.04	6.65	5.47
BlackRock LifePath Dynamic 2055	LPVKX	6/30/2010	Active	Tactical	5.80	11.67	8.23
BlackRock LifePath Index 2055	LIVKX	5/31/2011	Passive	Strategic	5.69	11.50	8.37
Fidelity							
Fidelity Freedom 2025	FDTKX	6/7/2017	Active	Tactical	1.75	7.70	6.11
Fidelity Freedom Blend 2025	FHLDX	8/31/2018	Blend	Tactical	1.36	7.45	
Fidelity Freedom Index 2025	FFEDX	6/24/2015	Passive	Strategic	1.38	7.22	5.85
Fidelity Freedom 2055	FCTKX	6/7/2017	Active	Tactical	4.95	11.47	8.22
Fidelity Freedom Blend 2055	FHDDX	8/31/2018	Blend	Tactical	4.48	11.26	
Fidelity Freedom Index 2055	FFLDX	6/24/2015	Passive	Strategic	4.39	10.81	7.95

Source: Morningstar Direct. Data as of Dec. 31, 2023. The cheapest share class was selected for each series. T. Rowe Price series include the CIT version for both the active and blend version because of the short track record on the mutual fund version. Its active series includes extended performance. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

No Definitive Edge (continued)

2025 and 2055 Returns for Active, Blend, and Index-Based Series (cont.)

	Ticker	Inception Date	Portfolio Construction	Strategic/Tactical	Return (%)		
					3-Year	5-Year	10-Year
JPMorgan							
JPMorgan SmartRetirement 2025	JNSYX	11/3/2014	Active	Tactical	1.43	6.74	5.49
JPMorgan SmartRetirement Blend 2025	JBYSX	7/2/2012	Blend	Tactical	1.58	6.66	5.51
JPMorgan SmartRetirement 2055	JFFYX	11/3/2014	Active	Tactical	5.04	10.87	7.70
JPMorgan SmartRetirement Blend 2055	JTYBX	7/2/2012	Blend	Tactical	5.16	10.42	7.65
Nuveen							
TIAA-CREF Lifecycle 2025	TCYIX	1/17/2007	Active	Tactical	2.12	7.61	6.01
TIAA-CREF Lifecycle Index 2025	TLQIX	9/30/2009	Passive	Strategic	2.24	7.82	6.25
TIAA-CREF Lifecycle 2055	TTRIX	4/29/2011	Active	Tactical	4.89	11.37	8.08
TIAA-CREF Lifecycle Index 2055	TTIIX	4/29/2011	Passive	Strategic	5.33	11.60	8.58
Principal							
Principal LifeTime 2025	LTSTX	2/29/2008	Active	Strategic	2.14	7.86	5.87
Principal LifeTime Hybrid 2025	PLFTX	8/24/2015	Blend	Strategic	2.46	7.83	
Principal LifeTime 2055	LTFIX	2/29/2008	Active	Strategic	4.78	11.26	7.80
Principal LifeTime Hybrid 2055	PLHTX	8/24/2015	Blend	Strategic	5.54	11.43	

Source: Morningstar Direct. Data as of Dec. 31, 2023. The cheapest share class was selected for each series. T. Rowe Price series include the CIT version for both the active and blend version because of the short track record on the mutual fund version. Its active series includes extended performance. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

No Definitive Edge (continued)

2025 and 2055 Returns for Active, Blend, and Index-Based Series (cont.)

	Ticker	Inception Date	Portfolio Construction	Strategic/Tactical	Return (%)		
					3-Year	5-Year	10-Year
Scwab							
Schwab Target 2025	SWHRX	3/12/2008	Blend	Strategic	1.95	7.19	5.58
Schwab Target 2025 Index	SWYDX	8/25/2016	Passive	Strategic	2.37	7.46	
Schwab Target 2055	SWORX	1/23/2013	Blend	Strategic	4.54	10.44	7.45
Schwab Target 2055 Index	SWYJX	8/25/2016	Passive	Strategic	5.52	11.15	
T. Rowe Price							
T. Rowe Price Retirement 2025		2/27/2018	Active	Tactical	2.80	8.69	6.81
T. Rowe Price Retirement Blend 2025		2/1/2018	Blend	Tactical	3.02	8.76	
T. Rowe Price Retirement 2055		2/27/2018	Active	Tactical	4.97	11.59	8.55
T. Rowe Price Retirement Blend 2055		2/1/2018	Blend	Tactical	5.44	11.78	
Voya							
Voya Solution 2025	ISZIX	4/29/2005	Active	Tactical	1.53	7.11	5.66
Voya Index Solution 2025	VSZBX	5/1/2015	Passive	Tactical	2.17	7.55	5.89
Voya Solution 2055	IISPX	3/8/2010	Active	Tactical	4.57	10.67	7.45
Voya Index Solution 2055 Port Z	VSZHX	5/1/2015	Passive	Tactical	5.20	11.08	7.89

Source: Morningstar Direct. Data as of Dec. 31, 2023. The cheapest share class was selected for each series. T. Rowe Price series include the CIT version for both the active and blend version because of the short track record on the mutual fund version. Its active series includes extended performance. Nuveen plans on renaming TIAA-CREF branded funds to Nuveen on May 1, 2024.

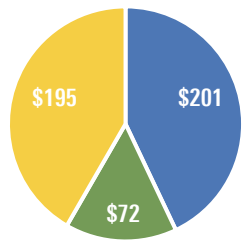
Cost, Not Performance, Drove Flows and Assets

Despite marginal performance differences among active, passive, and blend target-date series, active managers have lost assets and flows. Blend options, which still trail in total assets, have gained traction recently and saw positive flows in 2023. Index-based series led the way in assets and flows.

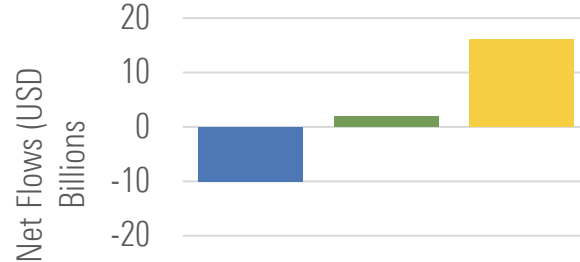
The Fidelity Freedom complex is a microcosm of this trend. Its all-active series still had the most assets, but it also recorded the most target-date mutual fund outflows in 2023, while its blend and passive versions had net inflows.

A Closer Look at Fidelity

Assets (USD Billions)



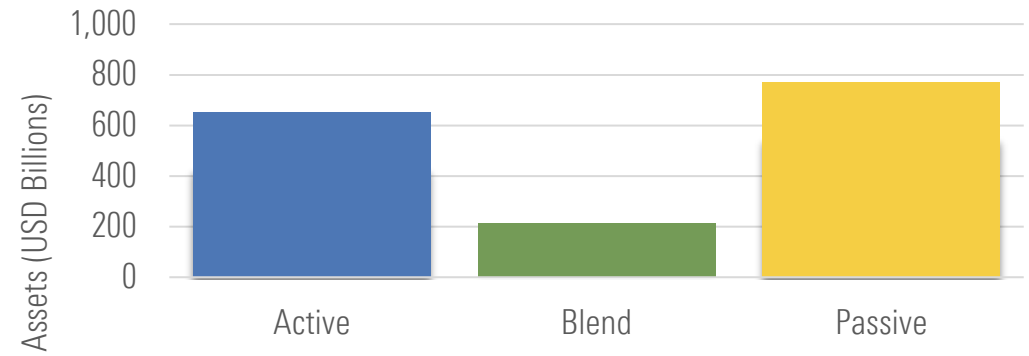
2023 Net Flows



Legend ■ Active ■ Blend ■ Passive

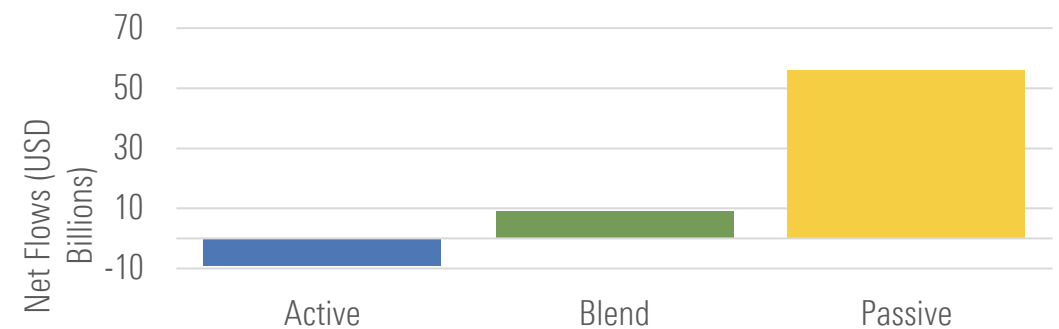
Source: Morningstar Direct, surveyed data, and author's calculation. Data as of Dec. 31, 2023.

Total Assets of Sample Group by Portfolio Construction



Source: Morningstar Direct, surveyed data, and author's calculation. Data as of Dec. 31, 2023.

2023 Flows of Sample Group by Portfolio Construction



Source: Morningstar Direct, surveyed data, and author's calculation. Data as of Dec. 31, 2023.

US Target-Date Strategies: The Changing Retirement Landscape

Exploring the evolving retirement saving industry and what impact it could have on target-date strategies.

Retirement Income Evolution

Over the last 30 years, defined-benefit pension plans have fallen to the wayside in favor of defined-contribution plans, especially in the private sector. According to the Bureau of Labor Statistics, 35% of private sector employees participated in defined-benefit pension plans in 1990-91 compared with just 11% as of March 2023. Target-date strategies have done a good job in answering the call for saving for retirement, but with the number of Americans turning 65 accelerating over the next few years, there's now a bigger focus on retirement income.

There's a few different ways target-date providers have attempted to enhance the retirement income potential of their series or complement them with additional options. Some examples include managed payout strategies that aim to deliver a steady stream of income regardless of the market environment for stocks and bonds. But a newer trend is target-date series including a guaranteed income option in the form of an annuity within their glide path. Each option has its own pros and cons. In the table below, we highlight some of the trade-offs between traditional target-dates, managed payout funds, and annuities.

Risks Associated With Investments

Investment	Cost	Longevity Risk	Market Risk	Liquidity Risk	Volatility of Payments
Target-Date Funds	Low	Mid	High	Low	High
Managed Payout Funds	Mid	Mid	High	Low	Mid
Annuities	High	Low	Low	High	Low

Source: Morningstar. Data as of Dec. 31, 2023.

Retirement Income Solutions

The table to the right provides a sample of some of the retirement income options available now or expected to be available soon.

- BlackRock LifePath Paycheck is expected to launch in the second quarter of 2024. It uses an income annuity for its guaranteed lifetime income. When an investor in the series is 10 years from the target retirement date, they begin accumulating contracts to purchase an immediate annuity when they retire (if they opt in). If the participant does opt in, 30% of the fund is converted into an income annuity that provides a fixed monthly income stream.
- AB Lifetime Income uses a savings annuity with a guaranteed lifetime withdrawal benefit. The savings annuity allows for more growth potential and doesn't require the participant to give up access to their funds if they opt into the insurance in retirement. The GLWB determines how much investors can withdraw each year from the target-date fund. Investors can withdraw more, but that could lead to a lower GLWB going forward.

Managed payout funds aim to provide a steady stream of income without relying on insurance contracts.

- T. Rowe Price's Retirement Income 2020 is managed similarly to its target-date 2020 fund, but the investor needs to opt in. It targets a 5% annual withdrawal rate based on the participant's balance as of Sept. 30 of the previous year. That 5% will be paid out every month in equal amounts. While the distribution rate should stay consistent, the dollar amount could fluctuate based on the market returns of the portfolio.
- Schwab Monthly Income funds take a similar approach but offer three separate options. Investors can choose a fixed 5% target distribution, a flexible one that aims for between 4% and 6%, or one that will only rely on interest payments, dividends, and capital gains for distributions. The other two may also include return of capital to hit their targets, but none have done that since at least 2020.

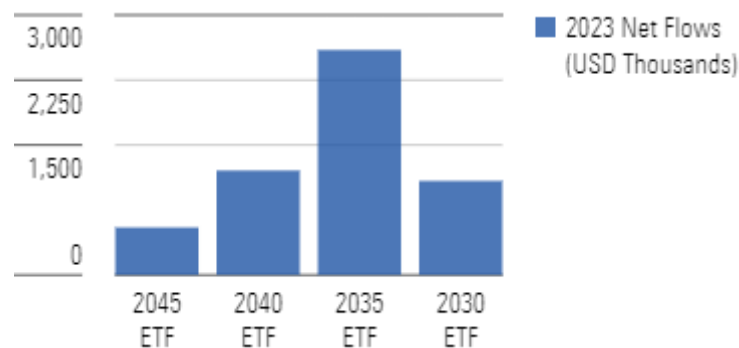
Retirement Income Products

Provider	Product	Product Type	Insurers	Inception
Charles Schwab	Schwab Monthly Income Funds	Managed Payout Fund	-	2008
Alliance Bernstein	Lifetime Income Strategy	Embedded Annuity	Multiple	2012
T. Rowe Price	Retirement Income 2020	Managed Payout Fund	-	2017
Lincoln Financial	Pathbuilder Income	Embedded Annuity	Single	2020
Great Gray Trust Company	Income America 5ForLife	Embedded Annuity	Multiple	2021
Nationwide / Capital Group	NCIT American Funds Lifetime Income Builder	Embedded Annuity	Single	2021
State Street	SSgA IncomeWise	Embedded Annuity	Single	2021
State Street	SSgA GTC Retirement Income Builder	Embedded Annuity	Single	2023
Nuveen	Nuveen LifeCycle CIT Series	Embedded Annuity	Single	2023
BlackRock	LifePath Paycheck	Embedded Annuity	Multiple	Anticipated in 2024

Source: Surveyed data. Data as of Dec. 31, 2023.

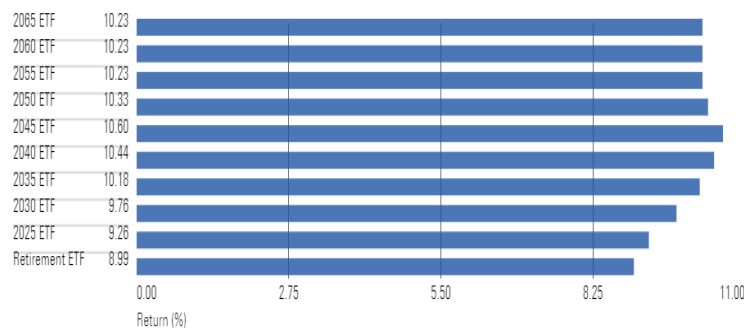
A New Target-Date Vehicle: Two's Company, Three's a Crowd

iShares LifePath Target Date ETF 2023 Net Flows



Source: Morningstar Direct. Data as of Dec. 31, 2023.

iShares LifePath Target Date ETF Returns Since Inception



Source: Morningstar Direct. Data as of Dec. 31, 2023. Inception date: Oct. 17, 2023.

Launched on Oct. 17, 2023, iShares LifePath Target Date ETF series is the only target-date series offered as an exchange-traded fund in the US market.

➤ This isn't iShares first attempt. The iShares Target Date series was launched in 2008 and had a six-year run until it was liquidated in 2014 as it failed to accumulate enough assets to make it a viable option. At the time its liquidation was announced in July 2014, the series had gathered just over USD 300 million.

Target-date ETFs could be a game changer for retirement savers. As of March 2023, 63% of private sector workers had access to a defined-contribution retirement plan, according to the Bureau of Labor Statistics. The advent of the new target-date ETF means the 37% of people without a workplace retirement plan now have access to a cheap target-date solution (recordkeeping platforms generally do not support ETFs).

- ETFs are **more tax efficient** than mutual funds. Mutual funds will pay out their capital gains to shareholders, which are taxable. The creation/redemption process of ETFs doesn't result in nearly as many payouts.
- ETFs are **generally cheaper**. The series price ranges from 8 to 11 basis points depending on the retirement year, comparable to BlackRock LifePath Index mutual funds' cheapest share classes. Mutual funds' cheapest share classes can carry high minimum initial purchase amounts, so many investors must use pricier shares, but the **ETF removes that barrier**.

Target-date mutual funds and CITs have been established default investment options in many workplace retirement plans. Not being on recordkeeping platforms means the ETFs will exclusively be used outside of retirement plans, **requiring investors to actively choose the fund**.

- Target-date strategies have gained a lot of traction in the industry because of the limited participation needed from investors. **Many workplaces automatically enroll their employees.**
- CITs have been stealing target-date market share from mutual funds. They, like ETFs, have limited availability, and are only available to institutional investors. The two vehicles would likely not be competing with each other. Instead, if successful, **ETFs would likely gain market share from mutual funds if investors chose to invest in the series through their IRA or brokerage account, while CITs will continue to make way in 401(k) plans.**

Will IBM Set the Trend Again?

Setting the Standard

- In 1984, IBM changed the retirement benefits landscape when it introduced its 401(k) plan. In the decades following, defined-contribution plans became the preferred retirement savings vehicle for private sector employees.
- **Starting in 2024, IBM ended its 5% 401(k) match and directed it to a new “Retirement Benefit Account.”** Instead of matching up to 5% of an employee’s 401(k) contribution, 5% of salaries will now be guided to a fixed-interest account irrespective of 401(k) contribution. It is also nixing its automatic 1% contribution to the 401(k) plan.
- Workers who were able to invest their 5% match how they wanted in their 401(k) will now earn a guaranteed interest rate in the RBA instead, starting at 6% for the next three years. In 2027, the RBA’s return will reflect the yield of the 10-year US Treasury, with a 3% floor through 2033. After that, the floor is removed, and the return tracks the 10-year yield even if it falls below 3%; over the last decade, the yield was below 3% about 80% of the time.

How Might This Impact Target-Date Investors?

- Most target-date series were not designed to be used with an RBA. The average glide path starts with a 94% equity allocation and gradually adds more fixed income as the participant gets older. The usage of an RBA next to an off-the-shelf target-date plan could leave investors woefully underallocated to stocks throughout their retirement savings journey.
- In 2022, for example, the average contribution rate was 7.4%, according to Vanguard’s How America Saves report. If that 7.4% was invested in a target-date with the average equity glide path, a 25-year-old would start with a retirement portfolio that has less than 60% equities and decreased over time.

- If there is a revival of defined benefits, like IBM’s RBA, less risk-averse participants may **eschew target-date strategies altogether** and only invest in equities in their 401(k). That could be problematic for hands-off investors.
- There’s still a role for target-dates in 401(k)s like IBM’s. More companies offering RBAs could give **custom glide paths** a boost. Custom target-date providers can choose to implement a glide path that holds more equities for longer on the basis that investors have more flexibility to take on risk and inherently have less equity exposure because of the RBA. Depending on demographics, some plan sponsors might opt for a custom glide path holding fewer equities. Given an investors’ guaranteed savings, some providers may opt to focus on capital preservation.
- **Custom target-dates are another growth area for CITs.** Although they are not included in our asset and flow calculation of the industry, circumstances—whether similar adoptions to IBM’s model or increased variations in the deaccumulation phase—**could prompt this portion of the market to grow.** Large providers including BlackRock, JPMorgan, and T. Rowe Price have a sizable asset base in custom target-dates.

Wary of Broad Adoption

Just because IBM led the way once doesn’t mean it will happen again.

- **After a decadeslong transition to 401(k)s becoming the norm, we don’t expect a rush of companies to mimic IBM’s defined-benefit option anytime soon.**

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