I believe the concept of the Committee's recommendations, including the development of a glide path illustration based on a standardized measure of fund risk seems quite reasonable. However, I caution the Committee to consider the varying scopes of risk associated with Target Date Funds within the same target year (i.e., 2015, 2025, etc). Because of the “to” and “through” retirement glide paths, investors could be mislead about risk depending on which target date glide path has been elected.

For instance, comparing a single risk metric that covers both “to” and “through” styles would be inconsistent and ill-advised. More than likely it would add to greater confusion than clarity. I recommend a single metric for each style so it would create a standardized approach among both asset classes.

For example, “to” retirement TDFs tend to be more conservative at age 65 with some strategies having as little as 25% exposure to stocks. Conversely, “through” retirement TDFs tend to more aggressive at retirement with some strategies having nearly 60% in stocks at age 65. These differences are magnified by losses in 2008 of 2010 TDFs; according to Morningstar, the losses ranged from -9.07% to -41.17%.

As you can see, comparing these strategies with one standardized metric would not be beneficial. Just as we wouldn’t have a standardized measure of risk to compare bonds and stocks, we too should not have one to compare “to” and “through” TDFs – particularly when...
some act more as bonds while others act more as stocks.

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