

Arpège



Arpège bottle with Paul Inbe's iconic gold Lanvin device.

Fragrance by Jeanne Lanvin

Description	Women's fragrance
Released	1927
Label	Lanvin
Tagline	<i>Promise her anything, but give her Arpège</i>

"Promise her anything, but give her Arpège" is the sultry tagline for Lanvin's scintillating perfume. The target date version doesn't smell so good.

"Promise her hope but give her product" is the target date version. Jeanne Lanvin would not be pleased.

An objective without a reasonable plan of action is merely a hope. The "promise" of target date funds (TDFs) is to replace pay and to manage longevity risk. And these would be good objectives if it weren't for the fact that target date funds are not a reasonable plan of action. One-size-fits-all-set-it-and-forget-it is not a plan that bears any relationship to these objectives. Saving enough is the right plan of action for these objectives.

All TDF products, from high risk to low risk, boast simulations that justify their path to the "hope." That's why there is such a wide dispersion of equity allocations at the target date – everyone is selling product. Some TDFs are selling stocks and some are selling bonds, but all are using hope and cooked-up simulations to make their pitch. It's no surprise that Bernstein has the highest equity allocation at target date while PIMCO has the lowest. And of course each has persuasive simulations to make their very different case.

Fund companies appear to know the distinction between hope and objective. The evidence rests in the objectives that are written into legal documents. Replacing pay and managing longevity risk are never committed to writing. Check it out. Here are some examples taken from factsheets on the Internet:

- Fidelity: "seeks investment returns associated with meeting retirement income goals." (This one comes close, but what "retirement income goals"? Yachts & mansions work for me.)
- Vanguard: "seeks to provide capital appreciation and current income consistent with its current asset allocation"
- T. Rowe: "seeks the highest total return over time consistent with an emphasis on both capital growth and income."

So what should TDFs promise? Legitimate objectives are actually quite simple and obvious:

- (1) Don't lose participant savings, and
- (2) Make as much as you can but don't lose participant savings

The course of action for achieving these objectives is the patent-pending Safe Landing Glide Path[®] that integrates the tenets of Modern Portfolio Theory (MPT) with the disciplines of Liability Driven Investing (LDI). Yes, a one-size-fits-all-set-it-and-forget-it glide path can be a plan for achieving these straightforward objectives. Solution triumphs over product.