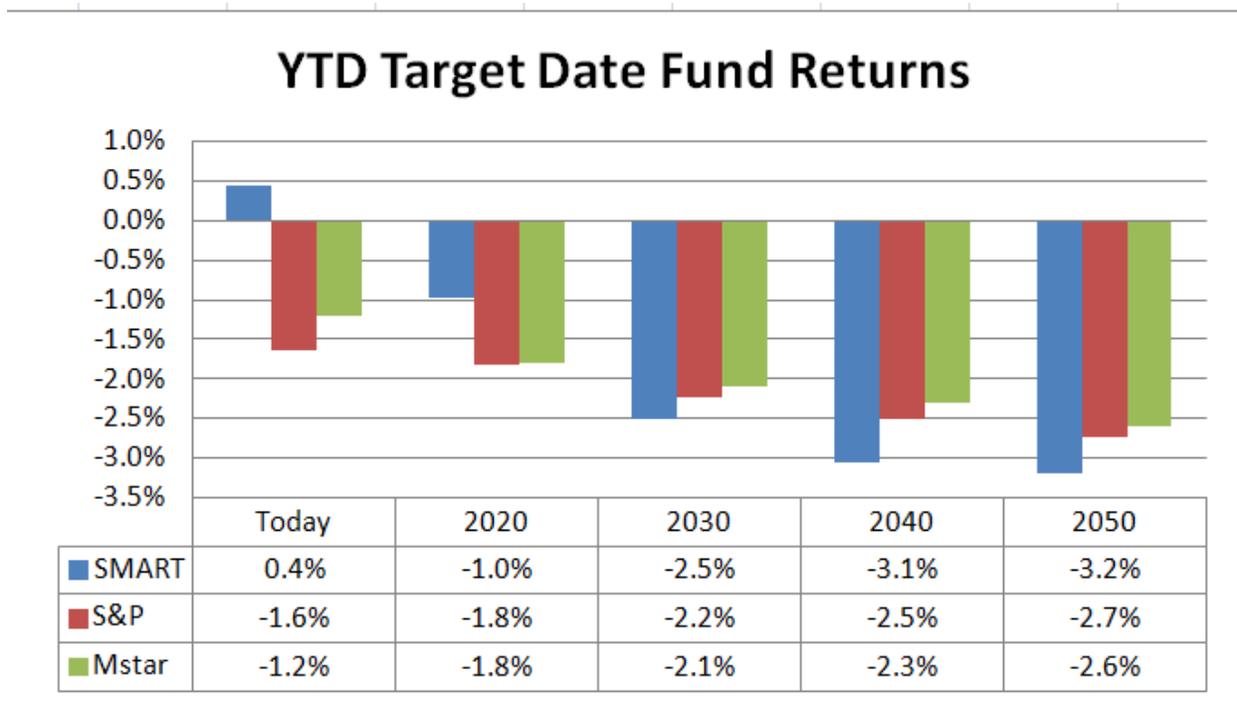


## Year-to-date Target Date Fund Performance

Target date funds have lost money this year. Younger beneficiaries in 2030, 2040 and 2050 funds have lost about 3%. Older beneficiaries have been more fortunate, but their results are more disperse because TDFs vary most at the target date. The defensive TDF index reports a modest .4% gain for those who are currently retired, and a 1% loss for those nearing retirement in 2020 funds. By contrast, consensus indexes show retirees losing 1.5% and those near retirement losing about 2%.

These are not earth shattering losses, but they demonstrate how quickly things can change, in this case the month of October



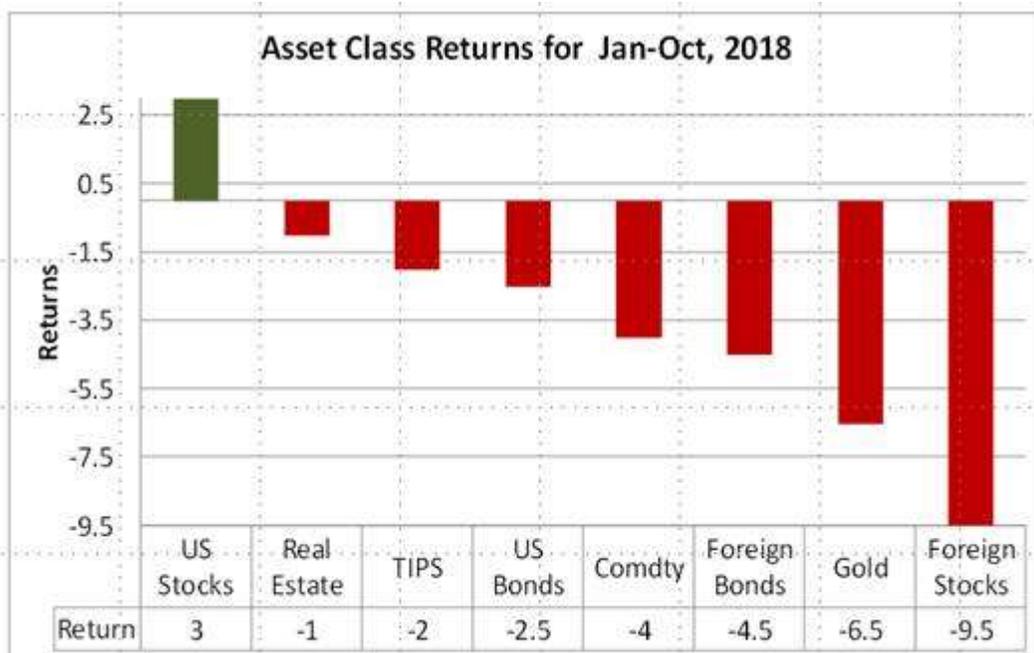
The indexes shown in the exhibit are described in detail in an upcoming December issue of the *Journal of Performance Measurement*. Here are brief profiles:

- Morningstar Lifetime Allocation Indexes** are normative (how things should be), modeled to maintain constant combined risk of human and financial capital. Human capital is the earning power from labor. Financial capital is investments. Morningstar TDF indexes were launched in 2009.

- **S&P Target Indexes** are consensus indexes, calculated by aggregating most TDF mutual funds on Morningstar. S&P TDF indexes were launched in 2008.
- **SMART Target Date Fund Indexes** are also normative, modeled to preserve savings through to the target date. A predecessor to the SMART indexes was launched in 2007

## Blame Diversification

This year has penalized investors who diversify beyond U.S. stocks because the U.S. stock market is the only asset class that has made a profit this year. One of the benefits of TDFs is diversification, but this benefit has detracted from performance this year. Diversification didn't "work."



Source: The Capital Spectator

## Now What?

October was simply a case of market jitters. There was no particular bad news, but there's plenty to be worried about like Quantitative Tightening, tariff wars, the

overpriced U.S. stock market, natural disasters, etc. Some will “buy the dip” but time will tell if October was just a passing blip or an early warning.



Ronald Surz is president of Target Date Solution (TDS) that holds patent on the Safe Landing Glide Path® (SLGP) tracked by the SMART Fund® Target Date Index collective investment trust on Hand Benefits and Trust, Houston. The SLGP is also being tracked by the OPEIU MEP 401(k) Plan. TDS also provides an on-line application called [Age Sage](#) that facilitates do-it-yourself target date funds.