What Is A Target Date Fund?
A target date fund, also known as a Lifecycle fund or age based fund, is a mutual fund comprised of many underlying mutual funds. The portfolio of funds is designed around a projected retirement date, and invests assets to increase growth potential through strategic asset allocation and diversification. The allocation percentages of the underlying mutual funds are adjusted as time progresses, becoming more conservative as the funds target date approaches. Principal value of the investment is not guaranteed at any time, including on or after the target date.

Are My Eggs in One Basket?
We've all been taught not to put all our eggs in one basket, and your retirement nest egg is no exception. Target date retirement funds use a fund of funds approach, also referred to as a multi-manager investment strategy. This strategy allows you to invest in a portfolio of preselected mutual funds rather than selecting and building a portfolio of mutual funds or other securities yourself. Even though you are choosing one fund, you can still achieve a broad diversification and an asset allocation by selecting a target date fund where these important attributes are managed by professionals, and you simply monitor the target date fund.

How Do I Choose A Fund?
Choose a portfolio based on your anticipated retirement date. Target date funds are designed to be selected based on a target retirement year, however these funds are asset allocation funds and it is important to review the fund’s target allocation mix and how that allocation mix will change overtime to ensure that you have selected a target date fund or funds that meets your tolerance for risk.

Do I Need to Change Funds Over Time?
In a target date fund, the investments are automatically rebalanced and the allocations are adjusted as your target retirement date nears. This reduces the number of investments within your portfolio to actively manage and adjust over time to ensure they are on track and continue to help you reach your retirement goals.

Sometimes it feels like you need a financial degree or experience on the trading floor to choose the proper funds for your retirement plan. Growth versus Value, Class A versus Service Class – it could be very intimidating to take control of your own portfolio. Target Date Funds could give you the courage to take charge of your investment decisions while eliminating the challenge of determining which individual investment options to choose.
How Do the Portfolios Adjust Over Years?
A key feature of target date funds is that the mix of underlying mutual funds shifts as you approach retirement. If you are a young investor, your portfolio is more aggressive with the goal of long-term growth. If you are an investor closer to retirement, your portfolio is more conservative in order to minimize the potential for loss as you may need to rely on your retirement investment soon.

A Step Down Approach Versus the Glidepath
There are two methods managers may use to adjust portfolios over time: The step down or glidepath. The step down method holds the investment allocations steady until each portfolio reaches the next “step” in its journey toward a retirement date. This approach provides longer exposure to the markets. A glidepath makes more modest, incremental reductions in equity exposure each year until they reach their end point. Below is a chart illustrating both methods.

Step Down Approach vs. Glidepath

This chart is for illustrative purposes only and may not reflect the current allocations of the Voya Solution Portfolios. This illustration is intended to show how the Voya Solutions Portfolios transition over time. Source: Voya Investment Management

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