Kiplinger.com
Timely, Trusted Personal Finance Advice & Business Forecasts
MUTUAL FUNDS
SMART INSIGHTS FROM PROFESSIONAL ADVISERS

10 of the Best Target-Date Fund Families

The best target-date funds are a 'set it and forget it' approach to your retirement, but which fund family should you trust your money?

BY CORYANNE HICKS

SEPTEMBER 17, 2020

Target-date funds are a core component of many investors' retirement strategies. And for good reason: These funds provide a one-stop shop for retirement investors.

Every target-date fund adjusts its asset allocation from more aggressive and growth-oriented holdings in the early savings years to more conservative capital-preservation strategies as investors near and enter retirement. All investors need to do is choose the fund that most closely aligns with their target retirement date, and the portfolio managers will take care of the rest.

However, choosing is easier said than done.

Target-date funds vary in their cost, structure and methodology. While one 2050 target-date fund may use 90% stocks, another could hold only 60% stocks. These differences can result in widely different investment experiences for participants.

In general, when evaluating target-date funds, keep the following in mind:

- **Cost:** All target-date funds require some degree of active management, as someone has to make the rebalancing decisions for you. But costs will vary depending on what these funds invest in. Some target-date funds hold lower-cost index funds while others use active funds that are pricier, but might provide the potential for higher returns or a less volatile investment journey.
- **"To" versus "through" glidepaths:** A target-date fund's glidepath is how it manages the level of risk, or equity (more risky) versus fixed-income (less risky) exposure, throughout an investor's lifetime. Some funds reach their lowest equity allocation at the target retirement date and then maintain that exposure throughout retirement, known as a "to" glidepath, because they manage to retirement. Other funds manage through retirement by continuing to de-risk after (or through) the target retirement date. The "to" glidepath strategy argues that the riskiest day of an investor's financial life is the day she retires. Managers of "through" portfolios would argue that because investors are living for 30-plus years in retirement, they need a higher allocation to growth investments at their retirement date.
- **Aggressiveness:** Target-date funds offer varying degrees of aggressiveness. The fund families on our list range from 99% equities in the early years to 82% equities; in retirement, they range from 55% equities to only 8%. Funds heavier in stocks have higher growth potential, in theory, but they're riskier and have the potential for more volatile returns.

John Hancock is unique in that it offers both "to" and "through" target date series.

Its Multimanager Lifetime Portfolios — its only portfolios available outside of company retirement plans — and Multi-Index Lifetime Portfolios follow a "through" glidepath that begins at 95% equity, tapers to 50% at retirement then stabilizes at 25% equity through retirement. This makes the funds more aggressive than average in the early years and more conservative than average in later retirement.

Both of the above funds "aim to maximize pre-retirement wealth accumulation while minimizing post-retirement longevity risk," says Phil Fontana, Head of Investment Product U.S., John Hancock Investment Management. The Multimanager Lifetime Portfolios are actively managed while the Multi-Index Lifetime Portfolios "use ETFs and low-cost active allocation strategy to minimize the impact of expenses on portfolio returns."

The third suite of target-date funds, called Multi-Index Preservation Portfolios, "are designed for participants who want to minimize their risk of loss as they near retirement and expect to withdraw and reallocate their 401k assets to generate income in retirement," Fontana says. As such, they use a "to" glidepath that is the most conservative glidepath on this list. It begins at 82% equities then flatlines at only 8% equities at retirement. Like the Multi-Index Portfolios, these use exchange-traded funds and low-cost active allocations.

"The funds use an open architecture structure and are comprised of both proprietary and third-party funds," Fontana says. "Proprietary funds undergo the same scrutiny and due diligence process as non-proprietary funds."

The multi-manager approach includes more than 20 portfolio management teams, so they provide diversification not only in the assets they hold, but also the style of management used within the funds.

BlackRock
Fidelity
JPMorgan Asset Management
Vanguard
American Funds

T. Rowe Price
State Street
MassMutual
Nuveen/TIAA

(#S087970) Reprinted with permission from the September 17, 2020 issue of Kiplinger.com. © 2020 The Kiplinger Washington Editors Inc. All rights reserved.
For more information from Kiplinger.com, visit PARS International Corp. at www.kiplingerreprints.com.

This is an excerpt of a previously published article. For the full article, please go to kiplinger.com.

The opinions expressed are those of the author as of September 17, 2020 and are subject to change. No forecasts are guaranteed. This article is provided for informational purposes only and is not an endorsement of any security, mutual fund, sector, or index by John Hancock Investment Management Distributors LLC, John Hancock Investment Management LLC, and their affiliates.

Data provided by Kiplinger. While this information is believed to be reliable, John Hancock Investment Management Distributors, LLC, John Hancock Investment Management LLC, and their affiliates do not guarantee or make any warranty, express or implied, as to the accuracy, adequacy or completeness of such information. Diversification and asset allocation do not guarantee a profit or eliminate the risk of a loss.

Excerpt reprinted from the September 17, 2020 issue with permission from Kiplinger.

Portfolio performance depends on the advisor's skill in determining asset class allocations, the mix of underlying funds, and the performance of those underlying funds. The underlying funds' performance may be lower than the performance of the asset class that they were selected to represent. The portfolio is subject to the same risks as the underlying funds and ETFs in which it invests: Stocks and bonds can decline due to adverse issuer, market, regulatory, or economic developments; foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability; the securities of small companies are subject to higher volatility than those of larger, more established companies; and high-yield bonds are subject to additional risks, such as increased risk of default. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track, which may cause lack of liquidity, more volatility, and increased management fees. Hedging and other strategic transactions may increase volatility of a portfolio and could result in a significant loss. Each portfolio's name refers to the approximate retirement year of the investors for whom the portfolio's asset allocation strategy is designed. The portfolios with dates further off initially allocate more aggressively to stock funds. As a portfolio approaches or passes its target date, the allocation will gradually migrate to more conservative, fixed-income funds. The principal value of each portfolio is not guaranteed and you could lose money at any time, including at, or after, the target date. Liquidity --the extent to which a security may be sold or a derivative position closed without negatively affecting its market value, if at all --may be impaired by reduced trading volume, heightened volatility, rising interest rates, and other market conditions. Please see the portfolios' prospectuses for additional risks.

Request a prospectus or summary prospectus from your financial professional, by visiting jhinvestments.com, or by calling us at 800-225-5291. The prospectus includes investment objectives, risks, fees, expenses, and other information that you should consider carefully before investing.

John Hancock Investment Management Distributors LLC • Member FINRA, SIPC • 200 Berkeley Street • Boston, MA 02116 • 800-225-5291 • jhinvestments.com

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE. NOT INSURED BY ANY GOVERNMENT AGENCY.

MF 1376234 10/20