

How Much Do You Know About Target Date Funds?

Target Date Funds (TDFs) are the most popular and fastest-growing investment option in employer-sponsored retirement plans. As a participant, it's crucial to understand where your money is going. Let's break it down:

What is a Target Date Fund (TDF)? A TDF is a diversified investment portfolio tailored to your age and retirement year. It simplifies investing by automatically adjusting the risk level as you approach retirement.

Why is Diversification Important? Diversification spreads your money across different asset classes like stocks, bonds, and cash, reducing overall risk. If one investment underperforms, another may perform well, balancing out your portfolio and minimizing market volatility.

How Does the Risk of a TDF Change Over Time?

Early in your career, a TDF focuses on high growth/risk. As you near retirement, it shifts to stability/lower risk, following a strategy known as the "glidepath." This means your investment mix becomes more conservative over time, transitioning from stocks to bonds.

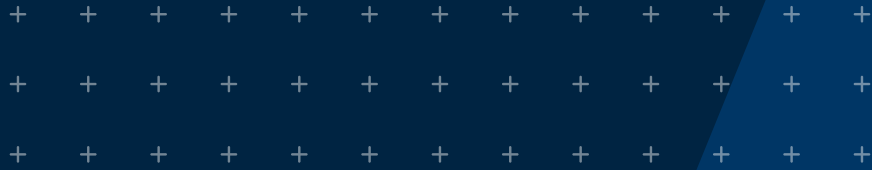
What is a Glidepath? A glidepath gradually adjusts your portfolio to be less risky as you near retirement. It's a formula-based strategy that changes your asset mix based on the number of years until you retire.

What Does the Department of Labor Say About TDFs? The DOL emphasizes the importance of performance, fees, and the diverse glidepath of TDFs. They recommend aligning the glidepath with participant characteristics like plan design and risk tolerance.

Understanding these concepts can help you make the most of your retirement account and secure your financial future. Have questions? Reach out to IMA Retirement today!



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For assistance with your retirement needs, contact an IMA Retirement Advisor at 877.305.1864 or retirement@imacorp.com

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