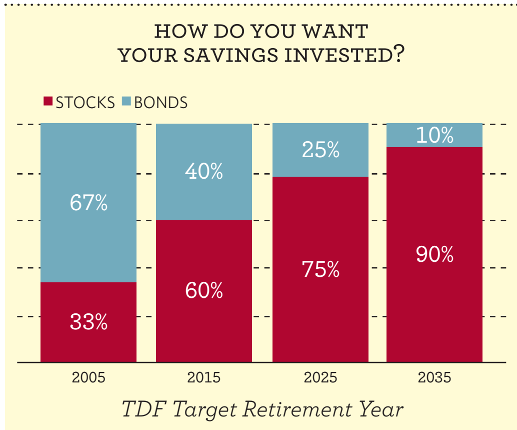
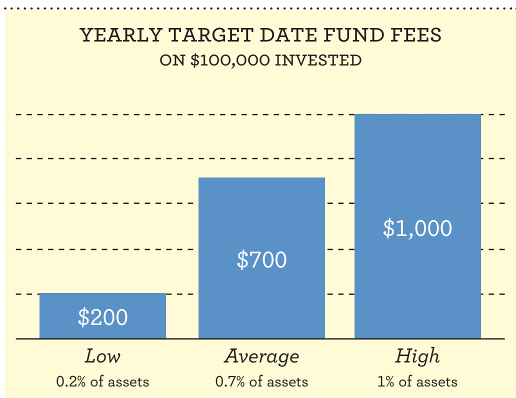
Issues to Consider

HOW A TDF INVESTS YOUR SAVINGS. TDFs shift your savings toward safety as you age. But the TDF for *your* retirement date might not balance your need for growth and safety. So pick the TDF that does.



FEES. TDFs invest your savings in a mix of stocks and bonds and shift the mix as you age. So consider whether these services, which are useful, are worth the cost.



It's Your Choice

A Target Date Fund is a reasonable place to put all your retirement savings *unless*

- You prefer a different balance between growth and safety.
- You have other investments or debts, which affects the balance you want in your 401(k).

→ *For more information on these and related topics, go to:* http://fsp.bc.edu

FINANCIAL SECURITY PROJECT *at* BOSTON COLLEGE

WHY TARGET DATE FUNDS?

Unless you have a good reason to do something else, a TARGET DATE FUND is a reasonable place to put all your retirement savings.

The U.S. Department of Labor approves Target Date Funds as a default investment for retirement savings plans.

Nearly all employers use Target Date Funds as the default investment option in their 401(k) plans.

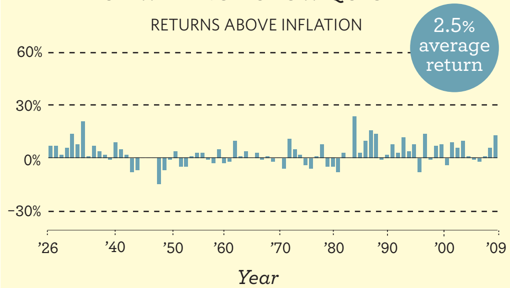
AUGUST 2011

Saving for Retirement is Serious Business

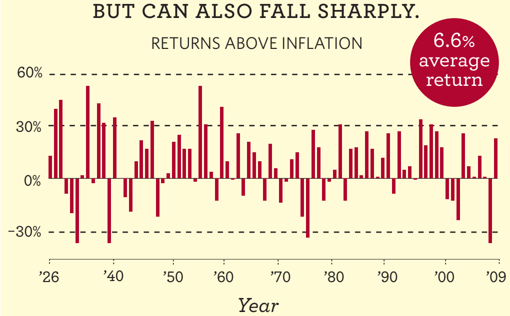
Your savings need to be *safe*, so the money is there when you need it.

And your savings need to *grow*, so when you retire you'll have enough to pay the bills.

IF YOU INVEST YOUR SAVINGS IN BONDS, YOUR MONEY IS REASONABLY SAFE BUT WILL NOT GROW QUICKLY



IF YOU INVEST YOUR SAVINGS IN STOCKS, YOUR MONEY USUALLY GROWS FASTER BUT CAN ALSO FALL SHARPLY.



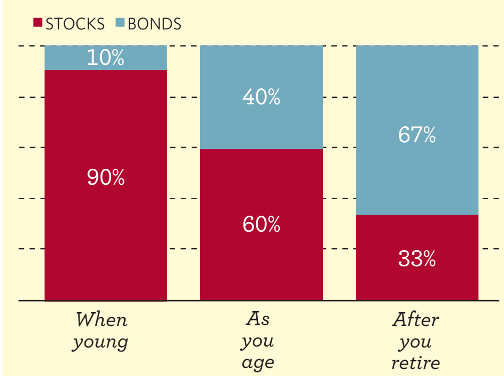
Experts say your most important investment decision is to strike a proper balance between growth and safety.

What are Target Date Funds?

Target Date Funds (TDFs) invest your savings in a diversified group of stocks and bonds with the mix determined by a target retirement date.

When young, and your target retirement date lies far in the future, TDFs invest most of your savings in stocks for *growth*.

THE MIX SHIFTS AS YOU AGE



After you retire, TDFs invest most of your savings in bonds for greater *safety*.

Experts recommend this shift from growth to safety as you age. Most people agree. But very few shift on their own.

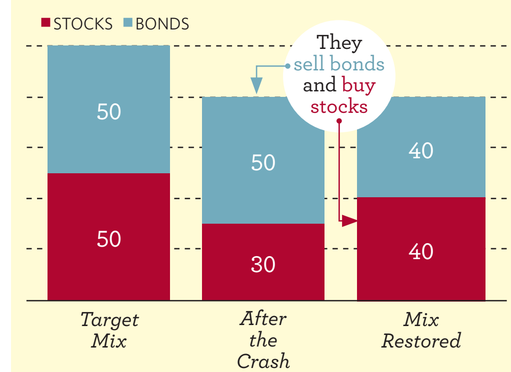
How Target Date Funds Perform

Target Date Funds are hardly magic. They also lost value when the stock market crashed in 2008. But TDFs recovered somewhat better than most alternatives, due to their design:

TDFs invest in a mix of stocks and bonds based on age. Say that mix for your age is ½ stocks and ½ bonds.

After the value of stocks fell in the crash, the TDF held more bonds than stocks. To restore the mix it sold bonds and bought stocks.

HOW TDFS RESPOND TO A CRASH



TDFs buy stocks when stock prices fall and sell when stock prices rise.

Experts support rebalancing. But most people do nothing or the opposite – buy when prices rise and sell when prices fall – they buy high and sell low.