Navigating to Retirement

Understand target-date funds and how to compare them

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FINANCIAL FYI®

Retirement savings dilemma

Choosing retirement investments can be complicated—maybe even intimidating. Target-date funds (TDFs) may provide the direction you're looking for.

Popular for a reason

TDFs have become increasingly popular because they take a complicated investment selection and monitoring process and package it into one convenient fund choice.

Experienced money managers choose the underlying funds, then monitor and rebalance to lower risk levels as the target date approaches.

TDFs are generally **broadly diversified**, including a variety of stock, bond and money market mutual funds intended to respond differently when markets change.

You choose **one fund** with a target date close to your expected retirement year.

Diversification is including different investment types to help balance a portfolio.

When one investment type is in favor, another may be down. This kind of balance can potentially help you ride out market ups and downs . However, diversification does not ensure a profit nor does it protect against loss of principal.

TDFs can be the same, but different

While investing in a TDF can be convenient, you also should know that they are not all the same. Understanding how to compare them may help you feel more confident about your investment.

SAME GOAL

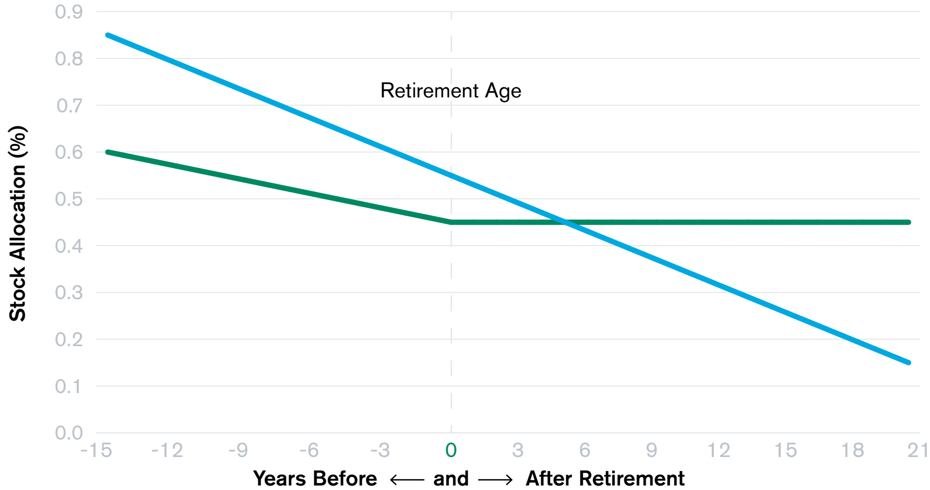
In general, TDFs are designed to have market risk decrease over time as they approach the target date. This risk relates to how many stocks (versus bonds and money market funds) are in the fund.

The course a TDF takes as it approaches its target date is called its glide path.

The further from the target date, the more stocks in the TDF.

The closer to the target date, the fewer stocks in the TDF.

This illustration has been prepared for educational purposes only. It is not intended to represent any particular investment product.



Hypothetical glide path examples; does not represent any specific fund family.

DIFFERENT APPROACH

The course a TDF's glide path takes can be different. The two different paths are called "to" and "through."

>> A **"To"** glide path reaches its lowest exposure to stocks at the target date. Then it becomes flat or static, containing the same amount of stocks throughout retirement.

>> A **"Through"** retirement glide path continues to reduce stock exposure after the target date, through retirement.

The amount of stocks your retirement savings is exposed to at and during retirement may be an important factor in determining how long your savings last. Keep in mind, a bad string of stock market returns as the target date approaches—when stock exposure is decreasing—can result in losses.

DIFFERENT SHAPES

The shape of glide paths can also vary among TDFs and could make a difference in how susceptible your savings are to market risks.

Slope is often used to describe a glide path's shape—how quickly or slowly the percentage of stocks in the fund changes. A steeper slope indicates a larger difference between the amount of stocks a fund has at its beginning compared to its end.

Steeper Glide Path Slopes May Create a Potentially Wilder Ride

25% variability in returns

18% variability in returns

14% variability in returns

The **steeper the slope**, the more susceptible your savings could be to market volatility.

A flatter slope may help reduce overall volatility and loss.

Variability is determined by using standard deviation calculations. Standard deviation measures how widely performance has varied from average. It is calculated by comparing monthly returns over a period of time to the fund's average historical performance, and is an indicator for potential volatility. A very high standard deviation indicates that the range of performance has been very wide, identifying greater potential volatility.

Source: American Century Investments.

Is a target-date fund right for you?

If you answered "Yes" to these questions, a target-date fund may be right for your retirement savings. A financial professional can also help determine which one may be right for you.

The bottom line

A target-date fund helps break down the complicated task of choosing and monitoring your retirement savings by letting you choose one fund that's designed to help you balance market swings and reach your goal.

The target date of a target-date fund is the approximate year when investors plan to retire or start withdrawing their money. The principal value of the investment is not guaranteed at any time, including at the target date.

Each target-date fund seeks the highest total return consistent with its asset mix. Over time, the asset mix and weightings are adjusted to be more conservative. In general, as the target year approaches, the portfolio's allocation becomes more conservative by decreasing the allocation to stocks and increasing the allocation to bonds and money market instruments.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

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