**TARGET DATE FUNDS:**

What are they?

* All in one funds -- a mix of equity and fixed income with a target retirement year where investor is assumed to be fully retired
* Allocation between equity and fixed income changes following a set glidepath as it gets closer to the target retirement date
* Fund of funds -- could be index fund based or comprised of actively-managed funds

**Advantages:**

* Simplicity - automatic rebalancing.
* Broad diversification
* May have lower required initial minimum
* Fewer opportunities to panic sell
* Typically includes exposure to International funds (Vanguard Target Date Funds allocate 40% of its equity exposure to international funds; Fidelity is following suit.) Can help alleviate home country bias.
* Available in most 401k plans
* Relatively low expense ratios, particularly if index-based

**Disadvantages:**

* Lack of control in terms of tax efficiency and asset tilting
* Different companies follow different glidepaths
* Funds might not align with your risk tolerance as it gets closer to target date

**Glidepath:**

* The formula that sets the asset allocation mix of the target date fund depending on the assumed target date (retirement year).
* Some could have a steep glidepath (drastic drop to more fixed income assets a few years before target date) or a more gradual glidepath.

**What to consider:**

* Think about your investment style.
* Look into how the glidepath changes the asset allocation over time and whether this aligns with your risk tolerance and timeline.
* Expense ratios, while lower that most, are slightly higher than if you were to own the index funds separately and rebalance yourself.
* Your risk tolerance may not match the asset allocation of your target retirement year.

**Best for:**

* Those new to investing or have investing anxiety. Allows one to start investing in a diversified portfolio immediately.
* Want to invest but not interested in learning more about investing.

**Examples of Target Date Funds:**

* Vanguard Target Retirement Funds
* Fidelity Freedom Fund
* Schwab Target Date Funds
* T. Rowe Price Target Date Funds