

# Target Date Strategies are designed to prepare you for retirement – let them

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In markets like what we have experienced this year, “stay the course” is easier said than done.

At times like these, the discipline of a target date strategy and the expertise of the managers behind it helps the individual not have to worry about managing their retirement savings – it’s being taken care of, and probably better than what any individual might be able to do.

Late last week I was on a call with our investment team for Voya’s target date strategies where we reviewed our positions and market and macro developments. As I was listening to various perspectives and the multi-dimensional decision making that was going on, it made me ask the question – “What edge do I have as an individual over this group who are working round the clock to preserve my retirement dollars?”

In markets like what we have experienced this year, “stay the course” is easier said than done, and our behavioral tendency is to make decisions in the ‘heat of the moment’ that may not help us meet our objective. For example, we might be fearful and want to take our money out of the equity markets. But do we have a plan for when we would get back in? Or if we want to do the opposite, and buy more equities – is this the time to do it? What if markets drop another 20-30%? These are tough decisions, and one that even the best analysts cannot predict outcomes for. The chances of us making the right decision off the side of our desks is probably no better than a monkey throwing darts.

Staying invested in a Target Date strategy for your retirement provides you with some of the best tools to use against making potentially damaging behavioral mistakes. Furthermore, a lot of your concerns might already be addressed by your Target Date strategy.

## Why is that? For two main reasons:

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1. The risk in a target date strategy is aligned with when you need the money for retirement. If you are at or near retirement, inside the target date strategy, the manager has been steadily reducing your risk exposure, and therefore probably has a low allocation to equities already (assuming you are in a conservative or “to retirement” style of target date fund, similar to what Voya offers). On the other hand, if you are early in your journey and have many years left to retirement, the target date strategy has a higher allocation to equities and will provide you with the discipline to stay invested for the long term.
2. You have a team of professional managers monitoring the market and analyzing options on your behalf. Unlike traditional asset class strategies (for example, an equity strategy where a manager can express a view only by picking stocks), the managers of a target date strategy look across the entire market for risk and opportunities – whether its stocks, bonds, U.S., International, etc. Without deviating from the longer-term plan, these professional managers are working on your behalf to assess the market and make near-term calls on what risk/reward decisions are in your best interest. These are complex decisions requiring tremendous behavioral discipline and a robust investment process – something a team of professionals are trained for, and not something we as individuals can do or should do based on headlines that we see on our smartphones.

I started working in 2000, at the height of the dotcom bubble. This is the third major crisis during my working life. Despite the significant level of uncertainty, the most prudent approach investors can take is to stick to their plan.

The message is simple but worth repeating – maximize your payroll deduction, get your employer match and let your target date strategy do what it was designed to do.

There is no guarantee that any investment option will achieve its stated objective. Principal value fluctuates and there is no guarantee of value at any time, including the target date.

The "target date" is the approximate date when an investor plans to start withdrawing their money. When their target date is reached, they may have more or less than the original amount invested. For each target-date portfolio, until the day prior to its target date, the portfolio will seek to provide total returns consistent with an asset allocation targeted for an investor who is retiring in approximately each portfolio's designated target year.

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On the target date, the portfolio will seek to provide a combination of total return and stability of principal.

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