



## ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



January 13, 2017

### **Vanguard Targets Millennial ‘Retirees’**

Last week, Vanguard announced plans to introduce a new target-date fund, Target Retirement 2065, which is intended to give the youngest members of America’s workforce a retirement savings vehicle of their own 48 years before they’ll presumably need to be drawing on it.

The fund is expected to launch at the beginning of the third quarter this year. Like Vanguard’s other Target Retirement funds, the investor shares will have a \$1,000 minimum investment and an estimated expense ratio of 0.16%. The institutional shares, which will likely be most popular in large, employer-sponsored plans that carry Vanguard’s Target Retirement series, require a \$100 million minimum investment and are expected to charge 0.10% in fees.

Target Retirement 2065’s initial asset allocation will be comprised of the following Vanguard funds: Total Stock Market Index (54%), Total International Stock Market Index (36%), Total Bond Market II Index (7%) and Total International Bond Index (3%). This matches the allocations of the current lineup’s four most stock-tilted funds: 2060, 2055, 2050 and 2045.

Vanguard markets the Target Retirement funds as designed to be a convenient, set-it-and-forget-it retirement savings solution, a premise we at Adviser Investments don’t quite see eye-to-eye with. The basic idea is that you simply pick the fund that most closely aligns with your expected year of retirement and let Vanguard do the rest. Initially, the funds own mostly stock funds, and as the date in the fund name approaches, the portfolio shifts more toward bonds. Seven years after the target date, Vanguard will fold each fund into Target Retirement Income.

And that’s the plan for Target Retirement 2010, which Vanguard will “retire” by merging its assets into Target Retirement Income on July 7. We expect to see this cycle—one Target Retirement fund disappears while a new one is launched—now in its second iteration, every five years.

At Adviser Investments, we strongly believe that saving early and often for retirement gives you the best chance to do so comfortably. We also understand the appeal of a quick and easy single-fund solution. For new investors starting with a small sum, the low minimums and fees on the Target Retirement funds make them a good stepping stone toward a custom-fit portfolio in the future. However, we think people with more at stake, who have worked hard to build their retirement nest egg, can do better. Why? Because in our experience, one-size-fits-all often adds up to a poor fit.

And that’s where target-date funds fall short—they consider “when investors plan to retire” as the only basis on which to allocate their investments over time. There’s no accounting for risk tolerance, future spending needs or other financial goals along the way. We also believe that people are better served over the long-term by investing in diversified portfolios of actively managed funds that are far more selective than simply buying the market.

## Adviser Investments

At Adviser Investments, we do not build one-size-fits-all portfolios. We build portfolios to better enable our clients to secure their financial future and achieve their individual investment objectives. Helping our clients reach those goals as securely as possible is our primary concern and our only job.

### **About Adviser Investments**

Adviser Investments and its subsidiaries operate as an independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. We advise more than 2,500 clients and have over \$3 billion under management. Our investment professionals focus on helping individual investors, trusts, foundations and institutions meet their investment goals. Our minimum account size is \$350,000. In 2016, Adviser Investments was named to *Barron's* list of the top 100 independent financial advisers nationwide and its list of the top advisory firms in Massachusetts for the fourth consecutive year. We have also been recognized on the *Financial Times* 300 Top Registered Investment Advisers list in 2014, 2015 and 2016.

For more information, please visit [www.adviserinvestments.com](http://www.adviserinvestments.com) or call 800-492-6868.

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