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**US Securities and Exchange Commission and Department of Labor  
Hearing on Target Date Funds and Similar Investment Options  
Re: File Number 4-582**

**Post Hearing Filing - Target Date Fund Product Naming and Comparison  
Framework**

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From: Randal McGathey, RM Consulting Needham, MA

This comment is offered in response to the SEC and DOL's invitation to submit post hearing comments.

The current practice of relying on the Target Date as the sole product descriptor is substantially insufficient and potentially dangerously misleading. These products should be named according to a framework that clearly, obviously and as simply as feasible conveys the essential nature and characteristics of the product such that it can be readily understood and differentiated from alternative products.

There are three such characteristics:

1. Investment Horizon
  2. Transition risk
  3. Aggression
1. Investment Horizon Risk: The most critical characteristic of a target date fund is its investment horizon which reflects the product's intended use. These funds can be divided into two broad categories based on this characteristic: those whose glide path reaches its minimum risk level before the retirement date, and those that do so after. This characteristic should be disclosed in the name.
    1. **Savings to Retirement Funds** (a.k.a. Accumulation or "To" funds) These are funds that reach their minimum risk profile on or before the retirement date.
    2. **Full Life Cycle Funds** (a.k.a. "Through" funds) These are funds that reach their minimum risk level after the retirement date.
  2. Transition Risk: This value represents the relative risk of an unexpected investment outcome due to the greater or lesser steepness of the glidepath as it shifts from the point of greatest to least risk/return potential. This factor will reflect the change in equity allocation relative to the elapsed time over which that change occurs.
  3. Aggression: This value represents the relative risk of one fund to another of the same type based on the equity allocation at corresponding points in time relative to the glide path milestones of maximum vs. minimum risk.



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All three of these factors are intended to enable side by side comparison of funds of the same type. Transition Risk and Aggression can be used for comparison across types, but Investment Horizon is a greater determinate of investment performance over time than Transition Risk and Aggression.

**Examples using the proposed framework:**

**Saving To Retirement Fund: 2015**

**Intended Use:** This product is intended for individuals whose retirement date is closer to 2015 than the other dates offered in this family of Saving to Retirement funds. It intended for use beginning as early as possible during the earning years and up to the date of retirement, but expects the retiring investor to select and implement a separate investment strategy for the post retirement/income distribution years.

Product Characteristics.

- (i) Minimum Risk Profile reached 2010 (5 years *before* retirement)
- (ii) Glide Path Placement Factor: **-5** (A greater NEGATIVE value suggests *lesser* risk relative to other Saving to Retirement Funds.)
- (iii) Transition Risk Factor: **4.67** (lower value is lesser risk, higher value is higher risk)
- (iv) Aggression Factor: **55** (lower value is lesser risk, higher value is higher risk)

**Full Life Cycle Fund: 2015:2050\***

\* Based on 4% withdrawal per year during retirement.

**Intended Use:** This product is intended for individuals whose projected required timeframe for retirement income better matches the period of 2015:2050 (retirement:full depletion of assets/income) than any other date range offered in this family of Full Life Cycle Funds. It is intended for use beginning as early as possible during the earning years AND continuously without interruption through the date of retirement AND THROUGHOUT the entire retirement years. It expects that the investor will not at any time withdraw the funds as a lump sum distribution. (Note: Lump sum distributions *during retirement* are not prohibited by law or regulation, but may not be optimal from an investment strategy perspective, depending on market conditions.)

Product Characteristics.

- (i) Minimum Risk Profile reached 2035. (20 years *after* retirement)
- (ii) Glide Path Placement Factor: **+20** (A greater POSITIVE value suggests *greater* risk relative to other Full Life Cycle Funds.)
- (iii) Transition Risk Factor: **2.0** (lower value is lesser risk, higher value is higher risk)
- (iv) Aggression Factor: **65** (lower value is lesser risk, higher value is higher risk)



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**Note:** All factors, minimum risk dates, withdrawal rates, etc. in the contrived examples above have been used only to demonstrate the nature of the suggestion, and are not intended to suggest appropriateness or suitability.

**Comparison Matrix**

Note: Values here and in the previous examples are provided only to demonstrate the nature of the factor. Factors are relative comparative indications not absolute measures.

Side By Side Matrix	Guidance	To Funds	Through Funds
Name		Saving to Retirement Fund 2015	Full Life Cycle Fund 2015/2050
Investment Horizon		Retirement Date	End of income distribution requirement or full depletion of assets, whichever comes first.
Alternate Naming Conventions		<ul style="list-style-type: none"> <li>•Retirement Ready 2015</li> <li>•Savings Fund 2015</li> <li>•Target Date 2015</li> <li>•Risk/Return Horizon 2010</li> </ul>	<ul style="list-style-type: none"> <li>•Life Cycle 2015-2050</li> <li>•Full Life 2105-2050</li> <li>•LifePath 2015-2050</li> <li>•Risk/Return Horizon 2050</li> </ul>
Modeled Income Distribution Rate		N/A	Based on 4% annual distribution beginning at 2015.
Short description		Intended for use up to the date of retirement.	Intended for continuous uninterrupted use through both the saving to retirement AND the <i>entire</i> post retirement income distribution phases.
Product Objective		Securely grow, preserve and deliver asset value at retirement date.	Maximize income amount and longevity through-out retirement.
Minimum Risk Point Relative Placement		Investment risk is reduced to the minimum level <b>5 years BEFORE</b> the retirement date.	Investment risk is reduced to the minimum level <b>35 years after</b> the <i>modeled</i> retirement date.
Retirement Date		2015	2015



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Side By Side Matrix	Guidance	To Funds	Through Funds
Minimum Risk Arrival (Landing) Date		2010	2050
<b>Glide Path Placement Factor</b> (Minimum risk point arrival expressed in years before (-) or after (+) target date.		-5	+35
<b>Transition Duration</b> This is the number of years which pass as the fund transitions from maximum risk to minimum risk .		15	25
<b>Maximum Equity Allocation</b> in the life of the fund		90	90
<b>Minimum Equity Allocation</b> in the life of the fund		20	40
<b>Change in Equity Allocation</b> from max to min.		70	50
<b>Transition Risk Factor</b>  [Change in Eq/ Transition Duration.]	Higher value = greater risk, Lower value = lower risk.	$70/15 = 4.67$	$50/25 = 2.0$
<b>Aggression Factor</b>  Average Equity Allocation over the course of the transition, measured at the greatest frequency available.	Higher value = greater risk and greater return;  Lower value = lesser risk and lesser return.	55	65