

The continued evolution of our target-date funds

Matthew Brancato: There are three changes that we'll go through. I'd say that the theme across all of these changes is that we're looking for ways to provide more of that return, keep more of that return in the pockets of our investors. And so that's one theme. The other theme is that we're really focused on the small things in the target retirement experience so that we get the big things right.

And so the first change that we ended up making is it changed the rebalance policy. We ended up shifting from the rebalance policy we had to a wider set of bands, or thresholds that we use to rebalance the Target Retirement Funds. And we did that because, ultimately, we think that it provides a better trade-off in the context of the transaction cost to the experience in the funds versus the asset allocation targets that you expect to get in the fund. So better trade-off there. Ultimately, a way to reduce transaction costs for investors.

The other two changes that I'll talk through were put in place and we're driving toward in order to reduce those costs for investors and get the small things right so that we get the big things right.

And so the first piece there is that we changed the frequency with which we change the equity bond mix overall in the target-date experience. In target-date land, the terminology is the glide-path roll down, and we shifted that from a quarterly roll down to a monthly roll down in order to reduce trade size and, ultimately, transaction costs for investors.

The last change that we made to the Target Retirement Funds is to introduce these futures into the experience. Again, the goal there is to reduce transaction costs, particularly during volatile times. A small degree of plain vanilla futures in the Target Retirement Funds allows the portfolio managers to rebalance more effectively and strip out transaction costs.

Meet the speaker



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Important information

For more information about any fund, visit institutional.vanguard.com or call 800-523-1036 to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

All investing is subject to risk, including the possible loss of the money you invest.

Investments in Target Retirement Funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the workforce. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a Target Retirement Fund is not guaranteed at any time, including on or after the target date.

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