ALLOCATION FUNDS vs. TARGET DATE FUNDS

AT A GLANCE

What is a target date fund?
Target date funds (TDFs) are mutual funds created for an anticipated retirement date. TDFs are issued as a series of mutual funds, each with its own target date. Plan participants select a TDF based on the year they plan to retire.

What is an allocation fund?
Allocation funds are comprised of many mutual funds to create a single diversified investment option. Each allocation fund is created to have a distinct risk profile ranging from conservative to aggressive.

KEY FACTS

Target date funds

- TDFs provide a simple, diversified investment solution to meet long-term retirement savings needs.
- Plan participants select a TDF closest to the year they plan to retire.
- The target dates within a series of TDFs usually range from five to 10 years apart.
- Investments in a TDF follow the fund's "glide path," which details how the fund reduces investment risk over time as the targeted retirement date nears.
- TDFs typically invest in multiple mutual funds to provide a broadly diversified investment portfolio.

Allocation funds

- Allocation funds provide a simple, single-fund investment solution that provides diversification with a specific risk profile.
- Allocation funds are designed for risk profiles that may range from very conservative to very aggressive.
- Because allocation funds maintain a specific risk profile, it is prudent to assess the appropriateness of the fund at least annually.

We're here to help
Associated Bank's Customer Care Team is available to answer your basic mutual fund questions at 800-431-4649. For specific investment advice or guidance, please seek the expertise of a financial advisor or investment professional.

Although investing can seem like a very complex endeavor, target date funds and allocation funds can provide a simple, diversified investment solution to meet your retirement savings needs. Each option provides its own unique approach to accomplish this end. Where TDFs provide a time-based approach to retirement savings, allocation funds provide a risk-based investment solution.

What is a target date fund?

Target date funds (TDFs) are mutual funds created for an anticipated retirement date. To accommodate retirement savers of all ages, TDFs are issued as a series of mutual funds, each with its own target date. The target dates within this series of funds usually range from five to 10 years apart. Plan participants select a TDF based on the year they plan to retire. You can determine which TDF may be appropriate for you with a simple formula:

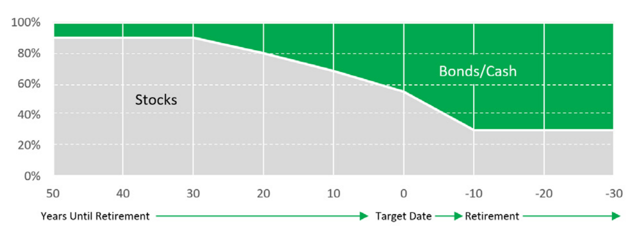
Birth Year + Anticipated Retirement Age
= Targeted Retirement Year

Since most target date funds are issued in five-year increments, investors may have to select the next closest TDF to their targeted retirement year.

The "Glide Path"

Investments within a TDF will follow what's referred to as the fund's "glide path." The glide path details how the investments within the TDF will be adjusted over time to reduce investment risk as you near retirement.

Sample allocation of assets within a target date fund



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Since younger investors have a greater amount of time to rebound from potential downturns in the market, target date funds invest aggressively early on. As investors age, the time to rebound from market downturns shorten. The TDF adjusts risk by gradually shifting from aggressive investments (i.e. stocks) to more conservative investments (i.e. bonds and cash) as illustrated in the chart. This shift in risk helps provide a risk-appropriate investment mix throughout the investor's career and into retirement.

What is an allocation fund?

Like a TDF, an allocation fund is a single mutual fund, frequently made up of many mutual funds, to create a diversified investment portfolio. How they differ is that allocation funds are created with a specific risk profile in mind. While a TDF will gradually reduce risk over time, an allocation fund will maintain its risk profile for an indefinite period. It's designed for the individual who wants simplicity, diversification and a specific risk profile over the long term. Allocation fund investors have more control of the level of risk their investments have for their particular needs.

Since allocation funds are risk-based, they will come in varying risk profiles ranging from very conservative to very aggressive. Because these risk profiles do not change over time, it is important to make sure allocation funds continue to be appropriate long term.

For example, a young person with a long-time horizon until retirement may want to be in an aggressive allocation fund, since younger investors have many years to weather the ups and the downs of the financial markets prior to retirement. But this same aggressive fund may not be appropriate when an investor nears retirement, since they may not have enough time for their investment to rebound from a significant market downturn.

An annual assessment of your allocation fund for appropriateness is a prudent way to ensure your investment continues to meet your goals and objectives.

Summary

Target date funds and allocation funds can provide a well-diversified, single-fund solution, designed for every stage of your retirement savings journey. These funds may be one of many options available in your retirement plan for your savings needs.

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