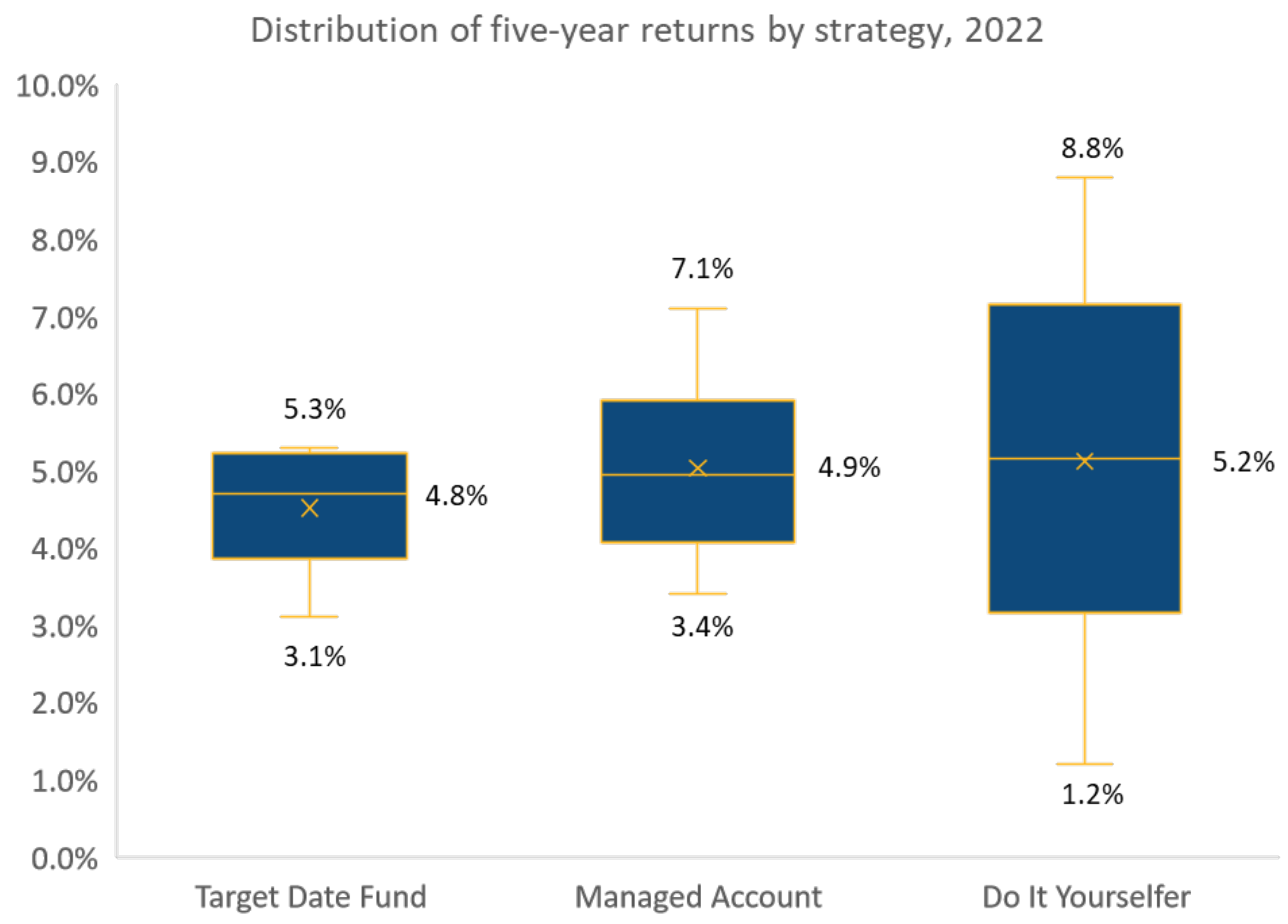
Key Attribute #4:
They Try to Make It As Easy As Possible for Their Employees to Invest Appropriately

We've always stressed to employers that they try to make it as easy as possible for their employees to make a decision, and this goes for investing as well.

Each year, Vanguard releases their *How America Saves* report and in it they'll show the 5-year performance of target date funds vs. managed accounts vs. those that manage their own money.



Source: Vanguard, How America Saves, 2023; Note: Based on 828,000 observations for single target date fund investors, 20,000 for balanced fund investors, 77,000 for managed account investors, and 1.3 million for all other investors.

As you can see, over the past 5 years (ended 12/31/2022), the median return from the do-it-yourselfers was a bit higher vs. the target date fund or managed account, but the low band of 1.2% was almost 2% worse than the low band for target-date funds.

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While target-date funds or managed accounts aren't perfect, they do help you in a two distinct ways:

1) They aid participants in investing appropriately when they may lack the knowledge, expertise, or interest necessary to make appropriate investment decisions.
2) Research from Fidelity and T. Rowe Price has shown that participants are less likely to trade in and out of target-date funds relative to when they're choosing individual investment options.

What are some ways you can help make it easier for your employees?

- **Limit the number of options you offer** – do you have too many investment options? If you have options with little to no assets in them, or overlap in specific asset classes (i.e. two large cap growth funds), by removing funds you can help simplify decision making for your participants without limiting the ability to diversify.
- **Consider an Age-Based or Customized Strategy** – many older plans still utilize risk-based portfolios and may even have the "balanced" strategy as the default fund. As risk changes with age or situation, it may benefit your employees to evaluate a change to a target-date or managed account solution.
- **Evaluate the equity exposure of the participants** – do you know how each of your employees are investing relative to their age (and other factors)? If there are a good number of participants either over-exposed or under-exposed to equities, then the next step may help.
- **Consider re-enrollment into a target-date fund or managed account solution** – you inform participants that their existing assets and future contributions will be invested in the plan's QDIA unless they opt out within a stated period of time. This will help bring a majority of your employees into an appropriate allocation of assets.

Your goal is to make it as simple as possible for employees to invest and to get 90% or more of the participants in a professionally managed portfolio. By limiting the number of options available, using an age-based or customized strategy, and evaluating the allocation of your participants on a regular basis, you'll help your employees get closer to a successful retirement.