STATE STREET GLOBAL ADVISORS

The Target Retirement Fund Playbook

A Guide for Plan Sponsors on Communicating the TRF's Value and Role in Retirement Plans

The Playing Field

We know you spend tremendous amounts of time reviewing, monitoring, and selecting investment products for your 401(k) plans — and for your default investment, in particular. This includes target retirement funds — often referred to as target date funds — which have been widely adopted since the Pension Protection Act in 2006.

Despite their simple exterior, studies suggest that target retirement funds continue to be misunderstood and often misused by participants.

State Street Global Advisors (SSGA) created this toolkit to help you and your partners develop more effective educational campaigns to show participants how to use target retirement funds correctly.

The Batting Order

This strategic game plan is grounded in best practices and includes:

- Playbook Purpose
- Coaching Financial Wellness: Building a Deeper Bench
- The Starting Line: Administration and Plan Design Considerations
- The Hurdle: Overcoming Barriers to Understanding Target Retirement Funds
- Offensive Strategy: Building Effective Communication Campaigns
- X's & O's: Sample Communications

Playbook Purpose

This playbook is designed to provide sample framing and messaging ideas to help you convey the value and purpose of target retirement funds as one investment option available to participants in your retirement plan.

Illustrative examples will demonstrate how to make communications informational and actionable helping you:

- Present target retirement funds as a modern and sophisticated, yet simple, investment option.
- Convey that target retirement funds can be appropriate for a wide variety of participants, whether young or old, investment savvy or uninformed.
- Communicate how to use target retirement funds wisely.
- Use clever and attention-grabbing communication tactics.

Coaching Financial Wellness: Building a Deeper Bench

Retirement plays an important role in an organization's financial wellness strategy. Our research has shown:

- Financially well employees are more productive and more likely to stay with their companies.[1]
- Financially unwell employees are more distracted at work and less productive.[1]
- Participants who are not financially well tend to take those feelings out on their employer, partially blaming the employer for their poor emotional and financial situation.[1]
- 29% of defined contribution participants report missing work to deal with the emotional stress caused by their finances.[2]

The Starting Line: Administration and Plan Design Considerations

When communicating about the investment options in your retirement plan, consider:

- How the order in which the investment options are listed will influence participants' choices.
- The influence of framing and how clear paths can help participants navigate choice, such as "leave it to the pros" (target retirement funds) and "do it yourself" (core options).
- The power inertia plays in decision-making. When reviewing how your participants are invested, look at how tenure affects choice.
- The additional services your recordkeeper provides and how those offerings are presented alongside your plan offerings.

The Hurdle: Overcoming Barriers to Understanding Target Retirement Funds

You can be faced with many challenges in educating participants about how to use target retirement funds effectively, including:

Behavioral Biases	Participants often chase performance and make the mistake of buying at market highs or selling at lows. Research indicates that participants who remain invested in target retirement funds over the long term enjoy better risk-adjusted investor returns.[3]
Fiduciary Concern	You can't promise positive results with target retirement funds any more than you can with core investment options.
Diversification Distrust	Participants continue to misunderstand how the diversification of target retirement funds works, leading them to invest in more than one target retirement fund or in a target retirement fund, plus other core investment options. **Target retirement funds run counter to the old maxim, "Don't put all your eggs in one basket," which many people have long maintained as a core investing philosophy.**
Choice Overload	Investment options are sometimes presented as simply a list of choices, making it difficult for participants to distinguish target retirement funds from single investment funds.
Risk Appetite	The investment industry often talks to participants about risk tolerance in general, rather than educating them about the smart risks they should take (or mitigate) based on their age and proximity to retirement. **The target retirement fund approach emphasizes wealth accumulation for younger participants and wealth preservation for those closer to retirement.**
Fund Management	While some participants may grasp that target retirement funds become more conservative over time, they may not fully understand that each fund is made up of a broad array of underlying funds, all of which are chosen, monitored, and reviewed for them.
Fund Name	Confusion remains about the year that's included in a target retirement fund name. Some participants believe that the date signifies some sort of income guarantee.

Offensive Strategy: Building Effective Communication Campaigns

Opportunities to explain the value of target retirement funds and their appropriate usage include:

Onboarding of New Hires

- The onboarding process serves as a great opportunity to reintroduce target retirement funds and change the conversation about investing in them.
- Enrolling in new plans and programs is top of mind for new hires, and relevant and well-timed information about financial wellness and retirement offerings can make it easy for them to take action.
- New hires are typically more open to new ideas and more motivated to act, but they may be overwhelmed by all the changes coming at them from many directions.
- Employers can earn goodwill by alleviating uncertainty about preparing for retirement.

Fund Transitions, Especially When New Target Retirement Funds Are Rolled Out

- Introducing target retirement funds into an existing menu of 401(k) funds provides a great platform to explain their function, value, and potential benefits.
- Administration or fund change communications should focus on more than just the tactics of what's changing and when, but should emphasize why your organization is making the change and how it will potentially benefit employees.
- A change in the 401(k) plan is an excellent opportunity to elevate the conversation toward financial wellness, and to create an ongoing dialogue about planning, saving, and investing for retirement. **80% of employees say they trust financial information from their employer.**[4]
- Messaging should incorporate a concern for financial well-being (e.g., "We're making these changes to help you ...").
- Communications can be a great opportunity to remind people of where to find tools and resources.
- Targeted messages help drive specific action. Potential ways to segment audiences are shown below.

Targeted Campaigns Segmented Toward Specific Audiences, Personas, or Behaviors

Age	Gender	Culture	Behavior
Millennial, Gen X, Baby Boomer, transitioning to retirement, etc.	Greater savings gap for women.	Bilingual and/or sensitive cultural differences about saving and investing.	Inappropriate asset allocation relative to age. Invested in target retirement funds, plus other funds. Invested in an undiversified core fund portfolio.

X's & O's: Sample Communications

Clear, compelling, well-timed communication is key to creating effective communications that inspire people to act. Multiple touch-points delivered through mixed media can create a memorable experience.

Posters

Displayed at the workplace provide reinforcement and continuity in a campaign. Posters can be visually disruptive, help to build awareness, and have broad appeal to many audiences, especially when paired with a powerful call to action.

Postcards

Provide a touch-point at homes and the opportunity to reach spouses/domestic partners, who may be decision makers. Home mailers, like postcards, generate awareness when content and visuals are tied to a campaign. Content and visuals can be leveraged and repurposed to create emails in lieu of or in addition to a postcard.

Videos

An increasingly popular way to deliver information in an engaging, appealing format. Our short animated videos describe the concept of target retirement funds and explain the potential value they can offer to people of all ages. Opportunities to customize the videos are available. A link to a video can be sent via email, included on the intranet/ internet, or posted to a recordkeeping site.

Newsletter or Email Content

Provide another opportunity to reach people and potentially segment messages based on the delivery mechanism. Sample content is provided for one article that outlines the value of saving for retirement. Content can be leveraged and included in an existing newsletter, sent as an email, repurposed to live on an intranet/Internet, or used by recordkeepers.

There's a Team for That...

Whatever your game plan for retirement the XYZ Company Savings Plan can help you meet your goals. When you enroll in the plan, you have many options for how to invest your money, including an easy-to-use target retirement fund.

With a target retirement fund, you get a team of professional fund managers with skills and knowledge on your side. They'll select an age-appropriate mix of stock and bond funds to put into your fund and then adjust that mix over time to help the fund achieve its goals by the target date—the year in the fund's name, and generally the year around when you'd be 65.

You may want to consider a target retirement fund if:

- You'd rather have a professional choose and manage your investments and asset allocation.
- You don't mind occasionally checking in on your investments, but you'd prefer a professional to choose your asset allocation.
- You want to spend your time doing things other than managing your investments.

Go online at www.insert-webaddress.com to review your investments and make sure you're saving enough now so you'll be in good shape down the road. While you're exploring your options, look into a target retirement fund. Whether you love to follow the markets or not, target retirement funds may be a smart choice to consider.

Learn more: www.insert-webaddress.com or call 800-XXX-XXXX.

Sample Cascading Communication Timeline

Schedule of Communications	1	2	3
Sample Distribution	**Postcard** **Email** **Video on Intranet and Benefits Website**	**Poster**	**Newsletter** **Email Article with Link to Video**
How You Can Support Your Efforts	Inventory existing internal communications and check with vendors to source content or ideas for your campaign	Update web and internet content	

Make Sure Your Game Plan Includes a 401(k) Plan	Whatever your game plan for retirement, your 401(k) can help you meet your goals. Your 401(k) comes with many options for how to invest your money — including easy-to-use target retirement funds.
Target Retirement Funds Rewrite the Playbook on Investing	Target retirement funds help take the sweat out of investing. All you have to do is choose one fund based on one number: the year closest to when you plan to retire. This is your target date. The target retirement fund you choose will have an appropriate mix of investments (stock and bond funds) to help you prepare for when you hit retirement (your target date).
The Target Retirement Fund — the T in "Team"	Think of each fund as made up of several skilled players who have a specific role to play, while working together toward a common goal — helping people invested in the fund build and preserve their retirement savings.
Coaches Call the Shots	The target retirement fund managers act like coaches leading players to their goal. They're investment pros who pick the investments and make trades as needed to help keep your team in balance. You never have to worry about your target retirement fund's investments because an investment professional is regularly reviewing your investments and adjusting the portfolio to meet the fund's goals.
Just Like You Root for Your Home Team, You Get to Root for Just One Fund	Just pick the one fund based on the date that's closest to when you plan to retire. Investing in only one fund might seem contrary to what you've always heard about diversifying, but target retirement funds take care of diversifying for you. That's because each fund is a collection of different investments, so each target retirement fund includes a specific combination of stock and bond funds to help grow and preserve the savings you build over time. Investing in more than one target retirement fund (or in a target retirement fund, plus core funds) can throw off your balance and your long-term strategy.
Don't Be a Fair-Weather Fan	All teams have good years and bad years. Once you've picked your target retirement fund (based on the year you plan to retire), be loyal to it. Your target retirement fund will experience highs and lows, based on what's happening in the market. Target retirement funds are intended to carry you through the long term.

Anyone Can Be a Champion on This Team	No matter your training, interest, or skill level, target retirement funds can be a choice for every type of investor — whether you love to follow the markets or feel out of your league choosing and managing your own investments (don't worry, a majority of the population feels this way too!).
Going the Distance	When your retirement date is further away, the fund invests more aggressively, which gives you a chance to accumulate as much money as possible over the years. For example, today the 2050 Fund invests mostly in higher-risk funds like stock funds, with a small percentage in conservative investments, such as bond funds. But as time goes on, the fund manager will gradually shift that ratio from stocks to more conservative investments to help preserve what you've accumulated.
There's No "I" in "Team" (But There Is an "I" in Investing)	If you'd rather create your own investment lineup, you can choose your mix from the core funds. You'll need to choose your own investments and adjust them as needed to make sure they stay aligned with your financial goals over the years. Or, you can leave it all to the pros by investing in a target retirement fund and feel confident that a team of professionals is working to get you retirement ready.
Consider Target retirement Funds If	You'd rather have a professional choose and manage your investments. You don't mind occasionally checking in on your investments, but you'd prefer a professional to do the work. You want to spend your time doing things other than managing your investments.

Methodology

1 PwC's 2023 Annual Employee Financial Wellness Survey. PwC conducted an online survey of 3,638 full-time employed US adults across a variety of industries in January 2023.

2 SSGA Biannual DC Investor Survey, March 2015 Data were collected in January 2015 through a 20-minute Internet survey using a panel of 1,009 verified 401(k), 403(b), 457(b) and profit-sharing plan participants, ages 20 to 69, who are currently working at least part time.

3 SSGA Portfolio, An Easier Way to Improve Returns, The Participant, Spring 2016

4 TIAA-CREF Investment Options Survey, Executive Summary, February 2014

Findings come from TIAA-CREF's Investment Options Survey, conducted by KRC Research by phone from January 3 to 5, 2014. Polling was among a national random sample of 1,017 adults, age 18 years and older.

About State Street Global Advisors

Our clients are the world's governments, institutions and financial advisors. To help them achieve their financial goals we live our guiding principles each and every day:

- Start with rigor
- Build from breadth
- Invest as stewards
- Invent the future

For four decades, these principles have helped us be the quiet power in a tumultuous investing world. Helping millions of people secure their financial futures. This takes each of our employees in 29 offices around the world, and a firm-wide conviction that we can always do it better. As a result, we are the world's fourth-largest asset manager* with US $3.8 trillion† under our care.

* Pensions & Investments Research Center, as of December 31, 2022.
† This figure is presented as of June 30, 2023 and includes approximately $63 billion USD of assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Global Advisors are affiliated. Please note all AUM is unaudited.

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All plan participants should carefully consider all of the investment alternatives available under the Plan before deciding to invest, consult with their own financial advisor and contact their Plan Administrator for more information on the plan's available alternatives.
State Street Target Retirement Funds are available in multiple forms of investment vehicles. The type of vehicle may vary depending on the plan sponsor.
For more information, please review the Target Retirement Funds Fact Sheet or logon to ssga.com/definedcontribution.
Investing involves risk including the risk of loss of principal.
Diversification does not ensure a profit or guarantee against loss.
Assumptions and forecasts used by SSGA in developing the portfolio's asset allocation glide path may not be in line with future capital market returns and participant savings activities, which could result in losses near, at or after the target date year or could result in the portfolio not providing adequate income at and through retirement.
SSGA Target Retirement Funds are designed for investors expecting to retire around the year indicated in each fund's name. When choosing a fund, investors should consider whether they anticipate retiring significantly earlier or later than age 65. There may be other considerations relevant to fund selection and investors should select the fund that best meets their individual circumstances and investment goals. The funds' asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. The investment risks of each fund change over time as its asset allocation changes.
Equity securities may fluctuate in value in response to the activities of individual companies and general market and economic conditions.
Bonds generally present less short-term risk and volatility than stocks, but contain interest rate risk (as interest rates rise, bond prices usually fall); issuer default risk; issuer credit risk; liquidity risk; and inflation risk. These effects are usually pronounced for longer-term securities.
Any fixed income security sold or redeemed prior to maturity may be subject to a substantial gain or loss. Asset allocation is a method of diversification which positions assets among major investment categories. This method is used in an effort to manage risk and enhance returns. It does not, however, guarantee a profit or protect against loss.
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