



AMID MARKET TURMOIL OF 2022, INVESTORS IN TARGET DATE STRATEGIES AGAIN STAY THE COURSE

Baltimore, October 24, 2022 – In the market turbulence of 2022 that has delivered crushing losses in both the stock and bond markets, target date investors are again an oasis of calm despite sharing the pain in their own portfolios. On the T. Rowe Price 401(k) recordkeeping platform, target date investors continued to steadfastly adhere to a long-term focus and stay the course during market downturns.

NEWS

Among participants on the T. Rowe Price 401(k) recordkeeping platform holding their entire balances in a target date strategy, only 0.2 percent of investors with all of their assets in target dates made any changes to their asset allocation in the rocky second quarter of this year. That compares with 6.4 percent making changes among those not holding any target date strategies, or 32-times the rate of target date investors.

This behavior is consistent with past market crises. For example, in the first quarter of 2020 amid the outbreak of the COVID-19 pandemic, only 1.5 % of T. Rowe Price 401(k) recordkeeping participants with their entire balances in a target date portfolio made any investment changes, versus 9.2% of those with no target dates in their accounts.

Industrywide, target date solutions have become a mainstay investment for investors saving for retirement by offering globally diversified, professionally managed portfolios that gradually migrate from an equity-heavy allocation early in an investor's time horizon to a more balanced portfolio of equities and bonds. The share of the 401(k) market invested in these portfolios quadrupled to 31% in 2019 versus 8% in 2007, according to the Investment Company Institute.

Over the last two decades, target date strategies can stake a claim as one of the most important financial innovations in history. Since the 2006 federal Pension Protection Act established target date portfolios as a qualified default option in retirement plans, they have become one of the most popular investment options in 401(k) plans. For example, the number of 401(k) plan participants owning target date strategies has grown from 26% in 2007 to 60% as of the end of 2019, according to the latest figures from the Investment Company Institute.

The four original T. Rowe Price Retirement Funds reached their 20th anniversary on September 30, 2022. The T. Rowe Price target date suite, which now includes more than 100 mutual funds, collective investment trusts, and other investments with \$311 billion in assets as of September 30, pioneered a path to higher exposure to equities throughout an investing lifespan to seek to ensure that retirees did not outlive their assets. It was radical idea at a time when plan sponsors regularly defaulted participants into short-term money market and stable value funds. Now, more than 80% of participants on the T. Rowe Price 401(k) recordkeeping platform are partly or entirely invested in target date strategies.

Over the last 20 years, the T. Rowe Price suite of target date solutions has been built on a foundation of deep research into investor behavior and life-cycle investing, a growing conviction that longevity risk was the biggest challenge facing retirees, and the recognition that target date strategies needed to evolve to better meet the challenges facing retirement investors.

“The 401(k) industry looked very different 20 years ago,” remembers Jerome Clark, the first portfolio manager of the T. Rowe Price target date strategies from 2002 to 2020. “The vast majority of plan



sponsors used money market and stable value funds as their main default, not an ideal choice for a long-term investment horizon. Many plan participants needed a more sensible, diversified mix of equities and bonds, professionally managed and rebalanced over time, that put them on a better path for retirement. That's the gap we aimed to fill."

Morningstar, in naming Mr. Clark the outstanding portfolio manager of 2020 in their annual awards for investing excellence, called him, "a pioneer of target date investing," saying that "the T. Rowe Price retirement series stood out from the crowd from the start with a more aggressive equity glide path than most peers, which has influenced its long-term success." Mr. Clark will retire from T. Rowe Price at the end of this year.

Each of the four original target date products, the T. Rowe Price Retirement 2010, 2020, 2030, and 2040 Funds, outperformed their respective S&P Target Date benchmark indices, after fees, for the 3-, 5-, 10-, 15-, and 20-year periods ended September 30, 2022. Over the full 20-year period, the funds grew an initial \$100,000 investment to a range of \$346,964 to \$507,133, after fees. The excess account balances delivered over their respective target date index benchmarks ranged from \$66,887 to \$86,047.

The structure of target date portfolios may have benefited investors by turning widespread investor inertia to their favor, by encouraging them to stay invested rather than trading in and out of the portfolios.

"We observed very early on that investors who constructed their own portfolios moved money around at a much more frequent rate than those who delegated their investments to professional money managers, which tended to negatively impact their returns," said Wyatt Lee, the head of Target Date Strategies since 2019 and lead portfolio manager of the target date suite. "Before the advent of target date funds, investors tended to either flee to safety during equity market downturns or to chase performance in robust markets. By helping to mitigate volatility during market turbulence due to their mix of equity and fixed income investments, target date portfolios became an important factor in helping investors weather the inevitable storms and maintain a long-term investment plan."

Mr. Lee joined T. Rowe Price in 1999 and became a co-portfolio on target date portfolios with Mr. Clark in 2013. He was nominated by Morningstar as a Rising Talent in their 2020 annual awards for investing excellence.

The target date products allow for age-appropriate selection of a target retirement date, whereupon the investment managers allocate their clients' assets along a glide path that shifts gradually over time from a relatively more robust allocation to equities early in their investing horizon, when their accounts have sufficient time to recover from market downturns to a more balanced mix of equities and fixed income investments through retirement, to age 95. T. Rowe Price pioneered the now widely accepted notion that investors need to maintain sufficient equity allocations even after retirement to help sustain their nest eggs over longer lifespans and to outpace inflation.

Performance data quoted represents past performance and is not a reliable indicator of future performance. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. To obtain the most recent month-end performance, visit [troweprice.com](https://www.troweprice.com).

[View standardized returns](#) and other information about the T. Rowe Price target date funds.



The T. Rowe Price target date solutions have evolved over time to better meet the changing needs of clients. The innovations over the years included the first target date series to recognize the need for dynamic asset allocation over a potentially 30-year retirement span and an inflation-focused portfolio, introduced at a time when inflation was low but not likely to remain so. Subsequent innovations included a blend series combining active and passively managed portfolios for more fee-conscious investors and a Target series with a lower-equity glide path for more conservative investors seeking to temper volatility around their retirement date while still pursuing adequate income during retirement.

“From the beginning, our target date portfolios have been built and expanded upon with client interests in mind,” said Sébastien Page, head of Global Multi-Asset, the division that manages target date portfolios, and chief investment officer. “These strategies bring together the best of T. Rowe Price underlying strategies, overlaid by deep life cycle investing research, strategic and tactical asset allocation, and reasonable fees. They have stood the test of time.”

TARGET DATE FACTS AND FIGURES

- T. Rowe Price assets under management in target date portfolios as of September 30, 2022: \$311 billion
- Percentage of retirement plan sponsors who offer target date portfolios: As of 2019, more than 80% of U.S. 401(k) plans offer target dates as an investment option, according to the Investment Company Institute
- Percentage of plan participants industrywide who have at least a portion of their retirement assets invested in target date portfolios: 60%, through 2019 and according to the Investment Company Institute
- Percentage of plan participants on T. Rowe Price’s recordkeeping platform who are invested in target date portfolios: More than 80%, as of September 30, 2022.

HISTORY OF T. ROWE PRICE TARGET DATE INNOVATION

- 2002: Inception date of four original target date portfolios on September 30
- 2004: Glide path extended to 30 years past retirement to address longevity risk
- 2007: Added emerging market equity and increased international exposure to further diversify portfolios
- 2008: Introduced Retirement Hybrid Series that strategically added passive management to help lower costs
- 2010: Added inflation hedges to help defend purchasing power over time
- 2013: Introduced Target Series to offer more choice with a glide path using a lower proportion of equity and maintaining a focus on managing volatility around time of retirement
- 2017: Added dynamic fixed income approach to diversify bond exposure and better navigate market volatility
- 2018: Introduced Retirement Blend Series that combines the power of active management with the efficiencies of passive management
- 2019: First to offer an in-plan managed payout trust with an automatic income stream for retirees
- 2020: Jerome Clark selected as Outstanding Portfolio Manager in U.S. Morningstar Awards for Investing Excellence; Wyatt Lee nominated in the Rising Talent category
- 2022: Target date investing at T. Rowe Price reaches 20-year milestone



ABOUT T. ROWE PRICE

Founded in 1937, Baltimore-based T. Rowe Price (NASDAQ-GS: TROW), is a global investment management organization with \$1.23 trillion in assets under management as of September 30, 2022. The organization provides a broad array of mutual funds, subadvisory services, and separate account management for individual and institutional investors, retirement plans, and financial intermediaries. The organization also offers a variety of sophisticated investment planning and guidance tools. T. Rowe Price's disciplined, risk-aware investment approach focuses on diversification, style consistency, and fundamental research. For more information, visit troweprice.com, [Twitter](#), [YouTube](#), [LinkedIn](#), or [Facebook](#).

Important Information

The principal value of the target date strategies is not guaranteed at any time, including at or after the target date, which is the approximate date when investors plan to retire (assumed to be age 65). These target date strategies invest in a diversified portfolio of other T. Rowe Price stock and bond strategies and, at times, derivatives that represent various asset classes and sectors and are therefore subject to the risks of different areas of the market. The allocations of the target date strategies among these underlying investments will change over time to reflect the changing emphasis from capital appreciation to income and less volatility as investors approach and enter retirement. The target date strategies are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. Derivatives may be riskier or more volatile than other types of investments because they are generally more sensitive to changes in market or economic conditions.

Some strategies mentioned are available only to certain retirement plans and may not be available to all investors.

Diversification cannot assure a profit or protect against loss in a declining market.

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The S&P Target Date Indexes are designed to represent asset class exposure for glide path products with target dates of a select year. Investors cannot invest directly in an index.

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