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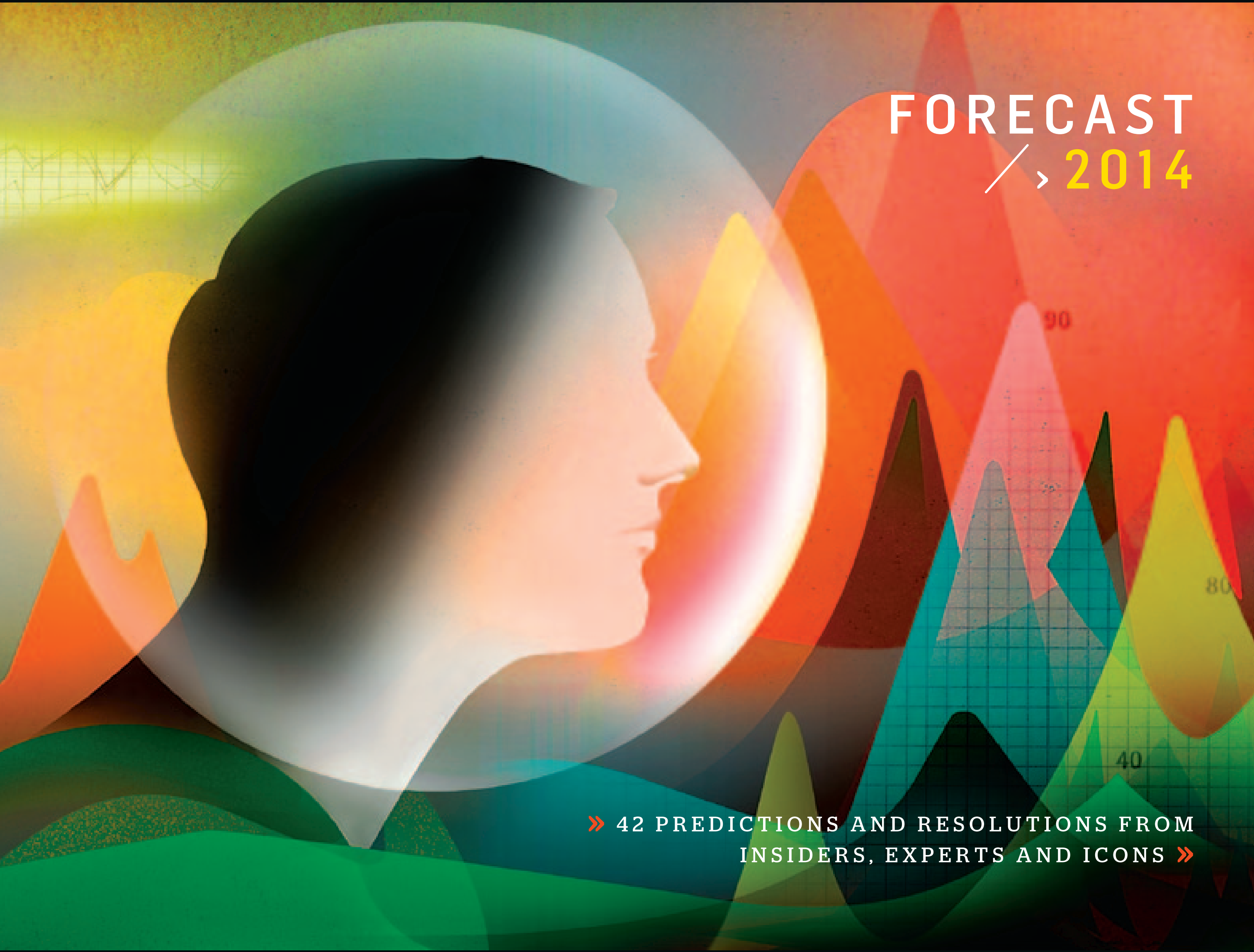

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Richard P. Slaughter Associates Inc.
Bob Tabor, AWMA®, AIF®, Vice President

"Are target date funds the answer for 401(k) success?"

By Bob Tabor

A robust 401(k) retirement savings plan is a win-win for employers and employees. This benefit has been shown to increase worker productivity and retention. It also provides companies a competitive recruiting advantage.

Employers, however, often face significant challenges in enrolling employees and keeping them engaged in 401(k) plans.

To address the participation issue, many companies offer their workers target-date funds, or TDFs. A TDF combines several mutual funds into one package and automatically resets the asset mix leading up to eventual distribution at a selected future date.

Many employees find the simplicity of the TDF approach appealing. They just choose a fund ending in the year closest to their expected retirement date and put the plan on autopilot.

TDFs, however, present several problems, because there is no one-size-fits-all approach to investing, especially when it comes to retirement.

But there is an alternative. In many instances a fiduciary advisor offers a better workplace retirement plan solution.

First, let's examine three key TDF concerns.

01 **Same target, different approaches:** Different fund companies may offer dramatically different asset allocations even though they are targeting the same retirement date. This occurs because some fund companies follow a "to" retirement date philosophy, while others go "through" the participant's retirement date.

The portfolio manager of a "to" fund structures the assets to provide a high level of income and stability starting in the year of retirement.

A "through" manager, however, recognizes that participants typically live an additional 15 years or more past their retirement date and keeps a much higher level of equities in the portfolio until later in the account owner's life.

When 401(k) participants do not understand the timing difference, their TDF choice may be more volatile than they expect.

02 **Narrow retirement focus:** Plan holders tend to take only their future retirement date into consideration for asset allocation. Many other factors, such as investor risk tolerance, other retirement income sources and actual need for assets, must be part of any plan selection mix.

Although a participant may have 30 or so years before retiring, he or she may be uncomfortable with a workplace plan that is invested largely in equities. Such concern could contribute to the worker's unwillingness to participate in the plan.

03 **Limited offerings:** TDFs often are comprised of a single fund family's offerings. While the holdings may contain various asset classes, this still can lead to suboptimal diversification. Often the same portfolio managers and analysts work on different funds within the family, using the same ideas and biases and therefore essentially homogenizing the investments.

THE FIDUCIARY ADVISOR SOLUTION

The key to any retirement plan is ensuring that it meets the investor's personal circumstances and goals. That is difficult to accomplish with a broad TDF. An investment professional, hired as the plan's 3(38) fiduciary advisor, however, offers ways to better achieve plan participants' individual objectives.

A fiduciary advisor can offer a portfolio model service that can be customized to each participant's risk tolerance and needs. This includes providing education about risk and return, giving specific advice for the most appropriate retirement model and offering ongoing support to help the investor make solid financial decisions.

The fiduciary advisor's freedom of choice also allows a better opportunity to offer a well-diversified portfolio offering a wide range of active or passive funds from different portfolio managers and companies.

Finally, and most crucial, a fiduciary advisor will make and maintain allocations as markets change.

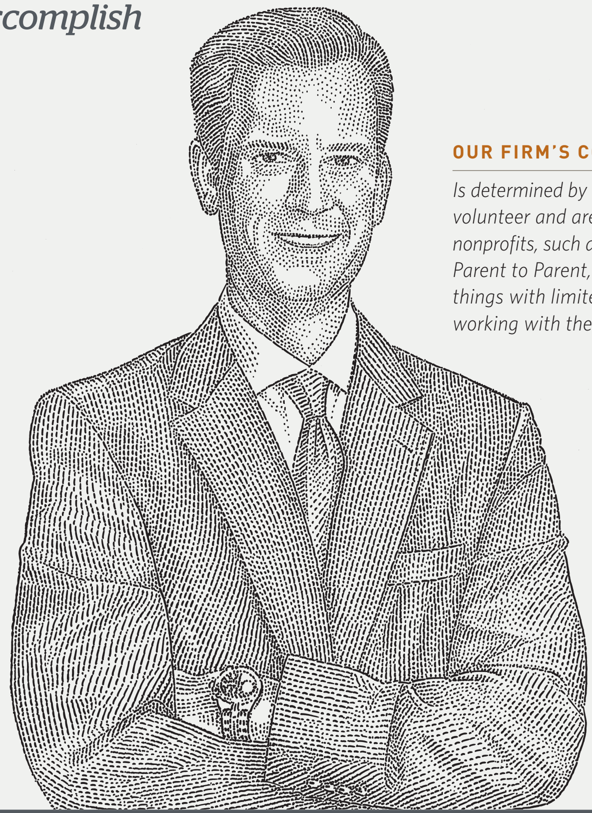
Rather than being locked into an end date, a fiduciary advisor will make tactical shifts according to market and economic conditions and outlooks, as well as to the plan holder's overall strategy.

"The key to any retirement plan is ensuring that it meets the investor's personal circumstances and goals. That is difficult to accomplish with a broad TDF."

—Bob Tabor

How to reach Richard P. Slaughter Associates

You can reach any member of our team at 512.918.0000. *We look forward to speaking with you.*



OUR FIRM'S COMMUNITY INVOLVEMENT...

Is determined by where our employees and clients volunteer and are most engaged. We select nonprofits, such as The Christi Center and Texas Parent to Parent, that are doing extraordinary things with limited budgets. I'm proud to be working with these organizations.

WHAT MAKES A GOOD WEALTH ADVISOR...

A good wealth advisor has passion to help others achieve their financial goals and the expertise to deliver the service in a holistic manner.

MY GOALS FOR THIS YEAR INCLUDE...

Continuing to improve the services we deliver and how we deliver them to great clients

About Richard P. Slaughter Associates

Richard P. Slaughter Associates is a leading wealth management and financial planning firm which specializes in working with high net worth individuals, entrepreneurs and families. Slaughter Associates cultivates a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management and coordinating with tax, insurance and estate professionals. The result is a holistic approach that is unique in a financial industry that is often segmented and outsourced. By committing to these important components, Slaughter Associates charts a path to reach the individual financial goals of its clients. Founded in 1991 in Austin, Texas, by Richard Slaughter, Slaughter Associates is one of the original fee-based firms in the nation. With offices in both Austin and the Dallas-Fort Worth Metroplex, Slaughter Associates has been recognized by NABCAP as a Premier Advisor and given Exemplary status for expertise in personal risk management.

Assets Under Management
$320 million

Largest Client Net Worth
$20 million

Minimum Fee for Initial Meeting
None required

Minimum Asset Requirement
$500,000 (investment services)

Website www.slaughterinvest.com

Compensation Method Asset-based and hourly fees

Professional Services Provided
Planning, investment advisory and money management services

Primary Custodians for Investor Assets Charles Schwab & Co., Pershing, a BNY Mellon Company and TD Ameritrade

Association Memberships
CFA Institute, CFA Society of Austin, Financial Planning Association, The National Association of Personal Financial Advisors

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ILLUSTRATION BY KEVIN SPROULS

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