Can the Use of Alternative Assets in Target Date Funds (TDFs) Improve Outcomes?

**Most DC Retirement Plan Assets Flow into Target Date Funds (TDFs)**

In 2017, **93%** of retirement plan QDIAs were TDFs, up from **64%** in 2009.

*New contributions to DC plans being invested in TDFs*

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2007</td>
<td>8%</td>
</tr>
<tr>
<td>2016</td>
<td>49%</td>
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**Alternative Asset Classes Smooth Volatility and Improve Outcomes**

The following asset classes are estimated to affect the annual inflation-adjusted retirement income for every $100,000 in pre-retirement annual wages earned by a full-career employee:

- **Private Equity**
  - Increases retirement income between 6% and 13%, depending on the private equity allocation, and between 6% and 12% in a worst-case scenario.

- **Real Estate**
  - Provides downside improvements in retirement income between 2% and 3%.

- **Hedge Funds**
  - Increases retirement income between 2% and 4% depending on the allocation, and between 4% and 8% in the worst-case scenario.

**A Diversified TDF With a Mix of Alternative Asset Classes Performs the Best**

A diversified TDF increases median annual inflation-adjusted retirement income by 17% or by 11% in a worst-case scenario.

Diversifying asset exposures and broadening the investment opportunity provides benefits when markets are stressed.

**More Large Plan Sponsors Are Using Custom TDFs and Alternative Assets**

66% of sponsors with more than $5 billion in assets said they are using custom core funds, which include portfolios that include alternative assets.