



BAE Systems 401(k): Target Date Fund Analysis

Target Date Funds offer cheap, easy, and professionally managed solutions, but are they a best fit for retirement savers? We review why BAE employees should consider the individual fund options before settling with a target date fund.

The BAE 401(k) is full of various and well researched funds. A popular option is the Vanguard Target Date Retirement Series. These funds provide investment strategies that are cheap, easy, and professionally managed. In fact, 23% of BAE 401(k) dollars are invested in target date funds.

This, however, begs the question: *Why are 77% of dollars not in these cheap, easy, and professionally managed funds?*

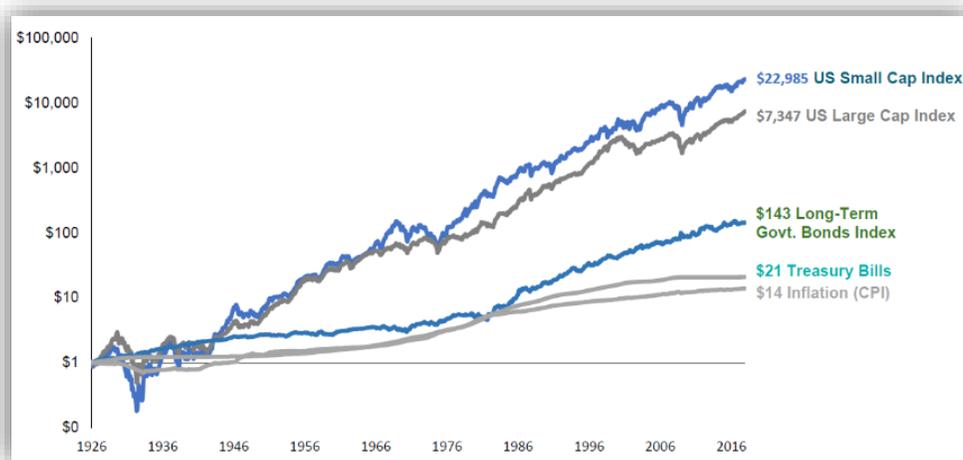
At Acorn, we have one important argument: Target date funds do not always reflect the investment goals and objectives of the investor.

Participating in the BAE 401(k), by default, prescribes us as asset accumulators. We are still in the workforce, saving money, and working towards financial independence. What gets us closer to independence is saving and investing. A proper savings rate coupled with a high rate of investment return increases the likelihood of retirement success.

[Click here to meet with one of Acorn's CERTIFIED FINANCIAL PLANNER™ Professionals](#)

STOCKS or BONDS?

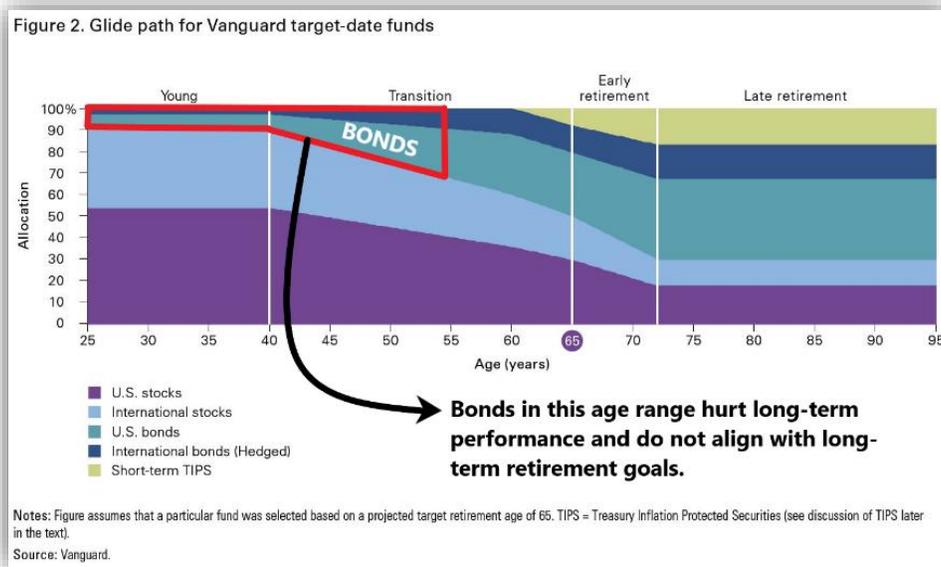
Based on research, stocks tend to outperform bonds over an extended period. The results are clear and indicated in the chart below. Investing in the stock market gives 401(k) dollars their greatest opportunity for long-term growth.



Bonds may offer less return over the long-term but offer protection from short-term stock market volatility. Bonds are important in the lead up to retirement and in retirement itself.

TARGET DATE FUNDS

The chart below shares the glidepath of the Vanguard Target Date Retirement Series, the series offered through the BAE 401(k). The teal, navy blue, and yellow represent bonds, while the purple and light blue represent stocks. Reading left to right, we can see Vanguard's suggested allocation at each age.



[Click here to meet with one of Acorn's CERTIFIED FINANCIAL PLANNER™ Professionals](#)

In Acorn's opinion, a saver is sacrificing long-term investment performance if they hold bonds. Up to ten years before retirement we should be seeking the highest return possible. It is only in the lead up to retirement should a saver consider protecting their savings through bonds.

Reviewing Vanguard's glidepath, we can see bonds play a role at all levels of the target-date series. The series suggests a 45 year old have a 20% allocation to bonds. 20 years from retirement (45 -> 65), bonds pose more a liability to financial independence than an asset.

SOLUTION

To maximize return during accumulation we suggest building a strategy with the individual fund options. It is a pleasure working with BAE employees and we are always impressed by the fund choices and annual updates.

I am interested in the strategy and want to meet with Acorn Financial

Acorn Financial is in Nashua, NH. We are a fee-only financial planning and investment management firm. We work with successful families and businesses in the region who are committed to financial independence. Our first meeting is always free and we welcome your interest.

Here is our contact information:

Acorn Financial
Drew Hefflefinger, CFP®
400 Amherst Street, Suite 303
Nashua, NH 03063
(603) 816-3404
drew@acornnh.com
www.acornnh.com

Advisory services offered through Commonwealth Financial Network, a Registered Investment Adviser.