



## RETIREMENT

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### Balancing on the Life Cycle: Target Date Funds Need Better Diversification

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Traditional life-cycle strategies have some serious shortcomings, the authors of this white paper contend. In the paper, they focus on five: home bias, inflation sensitivity, concentrated risk, volatility sensitivity and a lack of highly diversifying alternative strategies.

Some of these shortcomings, like the home bias, are easier to fix, they assert, while others may require getting comfortable with financial tools like leverage. Using over 100 years of data, the authors show that embracing financial innovation and addressing these shortcomings could have meaningfully improved historical performance.

As life-cycle funds become a bigger part of the investment landscape, the authors argue that it's increasingly important that they utilize more modern investment techniques, many of which have long been part of the institutional investing toolkit.

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