Retirement

How Much Should DC Savers Worry About Expected Returns? (Supplement)

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In the 10 years or so since the implementation of the Pension Protection Act of 2006, sponsors of defined contribution (DC) retirement plans have made great progress in shifting the focus away from self-directed fund choices to the expected outcomes for participants, mostly through the use of target-date funds and other default portfolios. Plan sponsors have also increased participation and savings rates through automatic enrollment and auto-escalation of contributions.

In How Much Should DC Savers Worry about Expected Returns?, published in Fall 2016 issue of *The Journal of Retirement* authors Antti Ilmanen, Matthew Rauseo, and Liza Truax demonstrate that DC participants are still not saving nearly enough. They propose an analytical framework that incorporates the lower expected returns participants are likely to realize over the mid- to long term, and they suggest that sponsors consider the additional return potential of a portfolio that invests beyond traditional asset classes.

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