
CFDD seeks members for new custom TDF group

By Editor Test Tue, Jun 19, 2012

The 'Custom QDIA Association' intends to provide members with competitive intelligence, a website, data feeds, target date fund screens, performance reporting, enhanced CIT reporting and custom solutions workshops.

The Chicago-based Center for Due Diligence, an association serving plan sponsor advisors, announced that it is creating a “Custom QDIA Association” to provide guidance to sponsors and advisors and fill what it called an information “void” with respect to Target Date Funds.

“Target Date Funds are consolidating DC plan assets and becoming the dominant investment category,” the CFDD said in a release. “Asset allocation services are destined to play a major role in the nation’s retirement system, but due diligence is seriously lacking. While TDFs are complicated, evaluation standards have not developed. As a result, the needs of both plan sponsors and participants are not being met.”

The Custom QDIA Association’s mission will be to:

- Enhance TDF analytic skills
- Develop standards for the evaluation of TDFs
- Identify and evaluate the various types of custom solutions
- Develop standards for the evaluation of custom solutions
- Determine when custom solutions are appropriate
- Identify and evaluate custom solutions-friendly service partners
- Facilitate the design and implementation of custom solutions

The association intends to provide members with competitive intelligence, a website, data feeds, TDF screens, performance reporting, enhanced CIT reporting and custom solutions workshops. Support will also take the form of a newsletter, CFDD research, member white papers, webinars, regional meetings and regulatory representation. “Additionally, we will identify and evaluate TDF resources, analytic tools, potential alliance partners and the custom flexibility available from the major recordkeepers,” the CFDD release said.

“Target date fund objectives are blurred and the majority of these funds are far too risky, i.e., risk is being used to offset inadequate savings. Low cost does not mean low risk and asset allocation is far different than risk allocation,” wrote CFDD president Phil Chiricotti in the release.

“In addition to a high concentration of equities, the majority of today’s TDFs also lack risk diversification, inflation hedging and downside protection. In addition to providing a superior product tailored to specific needs, custom solutions offer advisors the opportunity to differentiate, add value and enhance margins.

“Flexibility is dropping down market and custom solutions can be structured in many ways. As a result,

various service providers will benefit from the growth in custom solutions, including TDF managers and other investment managers, particularly those who were late to the game.

“Alternatives could also play a bigger role in custom solutions, but they will have to be priced competitively and demonstrate risk mitigation as well as performance,” the release said.

Membership in the new association will be open to individual advisor/consultant types, other individuals and on a firm level.

To facilitate education, each individual advisor member will be provided with two complimentary plan sponsor memberships.

Firm level membership is available to plan sponsors, RIAs, broker-dealers, consultants, recordkeepers, TPAs, trading platforms, trust companies, TDF providers, other investment managers, investment analytic providers, glide path managers and other vendors.

The first year membership fee will be waived to individual advisors attending the CFDD’s October 22-24, 2012 Advisor Conference and to exhibiting vendors. Strategic Partners will, however, incur a fee and play a key role in the Association’s agenda.

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