
Fidelity to raise equity allocations in target date funds

By Kerry Pechter *Thu, Sep 26, 2013*

Fidelity is the largest provider of target date funds with more than \$170 billion under management on behalf of approximately 6.5 million investors in its Fidelity Freedom Funds product line (Fidelity, Fidelity Advisor, Fidelity Index and VIP).

Fidelity Investments said it will tweak the glide path for its Freedom Fund target date funds based on information gleaned from investor demographics and behaviors, updated capital market assumptions and “an enhanced approach to evaluating loss-recovery and risk-aversion,” the Boston-based financial services giant said in a release.

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Over the next several months, Fidelity expects to increase equity allocations across most of the dated portfolios, with a proportional decrease in other asset classes, notably short-term debt. The target asset allocations for Fidelity Freedom 2020 Fund, for example, will be modified along the following lines:

- The target for domestic equity funds will rise to 43% from 39%.
- The target for international equity funds will increase to 18% from 14%.
- The target for bond funds will decrease to 32% from 39%.
- The target for short-term funds will decrease to 7% from 8%.

Fidelity said the glide paths of its target date portfolios seek to provide inflation-adjusted retirement income equal to about half of an investor’s final pre-retirement salary. “These assets should be combined with other complementary sources of income (e.g., Social Security, defined-benefit plan benefits and personal savings) to achieve Fidelity’s overall retirement planning target of income replacement equal to 85% of final salary,” the company said in a release.