In DC plans, managed accounts and TDFs suit different wealth tiers: Cerulli

By Editorial Staff *Fri, Apr 29, 2016*

The four largest managed account providers in the U.S., with about 95% of the market, include Financial Engines (60%; $113.4 billion), Morningstar (21%; $40.3 billion), Fidelity (8%; $14.5 billion) and Guided Choice (7%; $12.3 billion).

Managed accounts in defined contribution (DC) plans should be seen as a complement to target-date funds, not as a replacement for them, according to the April 2016 issue of The Cerulli Edge-U.S. Monthly Product Trends Edition.

Highlights from this research:

Despite added customization features, a number of hurdles exist for managed accounts if they are going to effectively replace target-funds as a QDIA. They have a place in DC plans, but are more fitting as a complement to target-date funds. Managed accounts are an appropriate solution for older, wealthier investors who are solidifying their retirement plans.

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Whether actively or passively managed, target-date funds have a demonstrated track record of bringing multi-asset-class solutions to retirement plans, and investors have been overwhelmingly receptive. According to a Cerulli survey, 64% of asset managers rate being the primary manager of a target-date fund as a major opportunity.

Mutual fund flows increased in size during March, with the vehicle gathering $17.9 billion. Overall, 1Q 2016 flows totaled $16.2 billion. Flows, coupled with strong March equity returns, led to asset growth of 4.9% in March and 0.2% during the first quarter.

Bolstered by March’s equity market rebound, ETF assets shot up 7.3% during the month to finish at $2.16 trillion. Flows steadied after a disappointing start to the year, with the vehicle bringing in $30.6 billion during March.