

Managed accounts gain ground against TDFs as default investment: Cogent

By Editorial Staff *Thu, May 14, 2015*

'This increased usage of managed accounts among Mega plans signals a growing desire in the industry to offer a more personalized solution for plan participants,' said Linda York, vice president of Cogent Reports.

The proportion of “mega” 401(k) plans (\$500 million or more in assets) offering managed accounts instead of target date funds as their plan default investment option increased to 18% in 2015 from 5% in 2014, according to the annual DC Investment Manager Brandscape, a Cogent Reports study by Market Strategies International.

According to the report, mega plan sponsors indicated a strong interest in offering ETFs within managed accounts to their plan participants and cited “retirement income product

offerings” as a reason for selecting a managed account

TEN MOST RECOGNIZED BRANDS Among defined contribution investment managers, by product	
TDFs	Managed Acc'ts
Vanguard	Charles Schwab Investment Management
Wells Fargo	Goldman Sachs
John Hancock Funds	Fidelity
J.P. Morgan Asset Management	BlackRock
Prudential	Vanguard
Fidelity	Wells Fargo
Putnam Investments	John Hancock Funds
Charles Schwab Investment Management	T. Rowe Price
T. Rowe Price	J.P. Morgan Asset Management
Franklin Templeton Investments	Prudential
Source: “DC Investment Manager Brandscape,” Cogent Reports, Market Strategies International, May 2015.	

“While target date funds continue to serve as the most widely preferred default investment option among most plans, this increased usage of managed accounts among Mega plans signals a growing desire in the industry to offer a more personalized solution for plan participants,” says Linda York, vice president of Cogent Reports.

“This shift echoes the rise in popularity of these robo-advice retirement vehicles that are customized for each individual investor and highlights new opportunity for investment managers to secure a place on the investment lineups of these larger plans as managed account providers.”

The report identifies the top investment managers that plan sponsors would likely consider for managed accounts and target date funds as well as other investment products. Among the larger plan segments, eight firms rank in the top ten for both managed accounts and target date funds.

Within this competitive set, Vanguard earns the greatest consideration potential as a target date fund provider, while Charles Schwab Investment Management claims the lead position for managed accounts.