
Schwab's new TDFs sport ultra-low fees

By Editorial Staff Wed, Sep 7, 2016

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Charles Schwab Investment Management (CSIM) has launched Schwab Target Index Funds, a series of index-based target date mutual funds with low-cost Schwab ETFs as underlying investments, according to a Schwab release.

The new funds, which are available to employer-sponsored retirement plans, have an across-the-board expense ratio of eight basis points (0.08%) and no minimum investment requirements regardless of plan size. In the past, such pricing on target date funds could require a \$100 million minimum investment or more from retirement plans, the release said.

Schwab Target Index Funds are available to individual investors at 13 basis points (0.13%) with only a \$100 minimum investment. The new series includes funds with target retirement dates between 2010 and 2060 in five-year increments.

Schwab Target Index Funds are an important addition to Schwab's well-established TDF suite, first launched in 2002, which includes mutual funds and collective trust funds, open architecture construction and active and passive strategies.

The underlying assets in Schwab Target Index Funds are primarily Schwab's market-cap index ETFs. The asset allocations are adjusted annually and become more conservative over time on a glidepath that continues through rather than the anticipated retirement date.

The Schwab Target 2060 Index Fund begins with an asset mix of approximately 95% equity, 5% fixed income, cash and cash equivalents. At their target retirement dates, each fund reaches approximately 40% equity, 60% fixed income, cash and cash equivalents. Each fund then continues reducing its equity allocation for an additional twenty years to reach its most conservative and final allocation of approximately 25% equity, 75% fixed income, cash and cash equivalents.

Schwab also offers TDFs as collective trust funds (CTFs) to 401(k) plans and other qualified retirement plans through Charles Schwab Bank. Among them are Schwab Indexed Retirement Trust Funds, which offer passive, index-based strategies. Effective November 1, 2016, plan sponsors also will be able to access the SIRT funds for eight basis points (0.08%)

with no minimum investment required, which aligns with the pricing of the new mutual fund Schwab Target Index Funds.

Schwab Bank also offers collective trust TDFs that use both active and passive sub-advised strategies, the Schwab Managed Retirement Trust Funds.

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