
Target-date fund assets grow to \$3.27T: Morningstar

By Editorial Staff *Wed, Mar 23, 2022*

Five providers control 79% of the target-date market: Vanguard, Fidelity, BlackRock, State Street, and American Funds, according to Morningstar's 2022 Target-Date Strategy Landscape report.

Morningstar, Inc., published its annual Target-Date Strategy Landscape Report this week. It shows that total assets in target-date strategies grew to a record \$3.27 trillion at the end of 2021, nearly a 20% increase over the previous year.

“Assets in target-date strategies reached a record high in 2021 as investors poured net contributions of \$170 billion into the space,” said Megan Pacholok, manager research analyst at Morningstar (NASDAQ; MORN).

“We are also seeing the remarkable advance of collective investment trusts, which made up roughly 86% of 2021’s net inflows. Plan sponsors are attracted to the lower costs of these vehicles, and we expect their growing popularity to persist.”

The largest five providers control roughly 79% of the target-date market. They are: Vanguard, Fidelity, American Funds, BlackRock, and State Street.

The 2022 report examines the growing trend of collective investment trusts (CITs) as plan sponsors’ preferred target-date vehicle, how fees continue to be a key driver in target-date selection, and primary differences between “to” versus “through” glide paths.

The Target-Date Strategy Landscape Report is available [here](#). Key findings from the report include:

CITs are on pace to overtake mutual funds as the most popular target-date vehicle in the coming years. In 2021, net contribution to CITs far outpaced mutual funds (\$146 billion to \$24 billion) and accounted for 86% of target-date strategy net inflows. These vehicles now make up 45% of total target-date strategy assets, up from 32% five years ago.

Fees continue to influence target-date fund flows. The cheapest quintile of target-date share classes amassed \$59 billion in 2021, up from \$41 billion in 2020. Collectively, the three more-expensive quintiles had outflows of more than \$38 billion.

Vanguard Target Retirement collected the most net new money after slipping from the top spot last year for the first time since 2008. It accumulated more than \$55 billion of net inflows in 2021, with Fidelity Freedom Index collecting the second most with approximately \$45 billion.

Target-date managers have become more comfortable with higher equity stakes over the last decade. In 2021, portfolios 20 years to retirement had a median equity weighting of 82%, roughly one-fifth larger than ten years ago.

Firms' preference for "through" retirement glide paths over "to" retirement is one reason for the shift toward higher equity weightings, as "through" retirement glide paths' gradual de-risking after the target-retirement date allows for more equity risk during savers' working years.

Morningstar today published a Fund Spy article on Morningstar.com that reviews the latest ratings for target-date fund series that Morningstar covers, available [here](#).

Morningstar Target-Date Fund Series Reports

Morningstar Target-Date Fund Series Reports (the Reports) are designed to help individual investors, financial advisors, consultants, plan sponsors, and other interested fiduciaries make informed decisions when selecting a series of target-date funds. The methodology for the Reports is available [here](#).

Morningstar Target-Date Fund Series Reports and Morningstar's Analyst Ratings for target-date series are available in Morningstar Direct, the company's global investment analysis and reporting platform for financial professionals, and in Morningstar Office, Morningstar Advisor Workstation, and Morningstar Analyst Research Center, the company's investment planning and research platforms for financial advisors.

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