



TARGET DATE FUND INNOVATION:

Your Sponsor Conversation Guide

Take the Lead on the Important Conversations
Committees May Not Be Having, But Should Be

Target date funds (TDFs) now hold more than \$4 trillion and capture roughly two of every three new dollars flowing into 401(k) plans. For most participants, the TDF is now their default path to retirement. What was once a homogeneous, age-based product has evolved with personalization, income features, blended management, and private market access, all reshaping what a prudent selection process looks like. **Many plan sponsors have not yet connected these developments with their own plan. That is your opening.**

You can use the talking points below to open meaningful conversations, demonstrate your ability to evaluate the full TDF menu, and give sponsors a reason to rethink their assumptions. [Download our 2026 and Beyond: Innovation in Target Date Funds white paper for all the details.](#)

Trend 1: Personalization: going beyond the birth year

THE DATA:

Two 45-year-olds retiring in 2045 can share a glidepath while sharing almost nothing in common financially. One saves 15% of a six-figure salary, while the other saves 4% of a modest income. An identical glidepath serves neither well. The DOL's 2013 TDF tips for fiduciaries direct sponsors to weigh participant demographics such as age, salary, contribution rate, and other available benefits.

TALKING POINT

"Your TDF assumes every participant retiring the same year is the same investor. Your workforce data says otherwise. Let's explore your available options, to see which default may make the most sense for your participants."

Trend 2: Lifetime income: employers are not meeting participant demand

THE DATA:

According to a 2025 report from TIAA, 93% of 401(k) participants say guaranteed lifetime income options are important, up from under 60% in 2021. Assets in income-enabled TDFs grew from roughly \$9 billion in 2019 to \$103 billion by mid-2025. Yet while 12% of sponsors have considered embedding income features, only 2% have implemented them.

TALKING POINT

"Nine in ten polled participants want a way to turn their savings into a paycheck for life, and the products to deliver on that need now exist. Very few plans have acted. Might this option be a fit with your participants? Can I help you look at what's available?"

Trend 3: Blended active / passive: looking past the binary

THE DATA:

Passive strategies controlled about 61% of target date assets at the end of 2024, but the choice is no longer purely active-versus-passive. The 2025 Callan DC survey reveals 86% of sponsors offer both active and passive in their core menu, while only 34% choose TDFs that blend the two. As active management fees have fallen, the asset-weighted TDF expense ratio dropped to 29 basis points in 2024, and ERISA has never required selecting the lowest-cost option.

TALKING POINT

"You offer active and passive side by side in your core lineup, but your TDF default is typically one or the other. Blended and co-manufactured structures give you a third option. The fee gap between passive and blended strategies has narrowed, and in less efficient asset classes the potential for added value by having active management can outweigh the higher cost. We'll walk through the latest data and where that trade-off holds up."

Trend 4: Private markets: the institutional gap in DC plans

THE DATA:

Pensions and endowments have long held 20–30% in private assets while DC plans have held virtually none. BlackRock projects that adding private equity and credit through a TDF could lift annual returns by roughly 50 basis points, amounting to approximately 15% more savings over a 40-year career. Today, 5% of plans offer this access, and 22% plan to add it.

TALKING POINT

"While institutional investors have used private markets for decades, DC plan participants have been locked out. New TDF structures are opening that door with daily liquidity built in. One in five plans intends to add access, but the evaluation can be complex. An advisor who has done the research can help ensure your committee continues following a prudent selection process, now that these options are available and in the consideration set."

PUTTING THIS GUIDE TO WORK

How to run the conversation

These points are designed to help you reframe target date conversations and reviews from a routine, fee-driven check to a strategic discussion about participant outcomes and fiduciary responsibilities. A few principles keep the conversation credible:

- Lead with the participant, not the product. Each talking point begins with something true about the sponsor's own workforce or a documented participant preference.
- Position innovation as an evaluation, not an endorsement. Many plans will reasonably conclude that a traditional age-based TDF still meets their obligations. Your value is helping them conduct a consistent, well-documented process for weighing their options – including emergent ones – without advocating for any single one.
- Anchor everything in the fiduciary standard. The ERISA test is unchanged: select or recommend the TDF you reasonably believe will maximize risk-adjusted returns net of fees for that population. Lifetime income, private markets, and blended structures each impact and define what types of analysis and expertise are required.
- Make expertise the differentiator. As the option set widens, advisors who can evaluate insurer strength, manager quality dispersion, and structural design earn their place as strategic partners rather than as discretionary line items.

THE CONTEXT BEHIND THE INNOVATION

Why the vehicle matters

Nearly every one of these innovations is arriving through collective investment trusts (CITs). CITs surpassed mutual funds as the leading target date vehicle in 2024 and reached 53% of target date assets by mid-2025. All new target date series launched in 2025 were CIT-based. As more target date strategies incorporate customization, embedded income, and private market exposure, the CIT structure has continued to enable that change at scale.

Great Gray Trust Company serves as trustee across a full spectrum of target date strategies. Understanding the CIT landscape has become part of serving plans well, and it is the terrain we help plans navigate every day.



GO DEEPER

Read the full report

Every statistic, source, and ERISA consideration behind these talking points — plus ideas for building a defensible framework for evaluating each new TDF category — is in our 2026 and Beyond: Innovation in Target Date Funds white paper

Download it here: greatgray.com/innovation-in-target-date-funds-2026

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