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**Target-Date Assets Fall 13% in 2022**

*Collective Trusts to Topple Mutual Funds as Primary Target-Date Vehicle in 2023*

**February 13, 2023, Newton, NH**—Assets in non-custom Target-Date portfolios fell 13% in 2022, to close the year at \$2.83 trillion, down from \$3.25 trillion at the end of 2021. Few Target-Date providers were spared losses for the year, with most experiencing a double-digit drop in assets. A majority of the series that managed to produce asset gains were CIT-based, as the utilization of lower-cost collective investment trusts (i.e., CITs) in Target-Date construction continues to surge. These are just a few of the findings featured in the latest in-depth research [report](#) from Sway Research—*The State of the Target-Date Market: 2023, Examining Asset Trends Across Providers, Products, Vehicles, Management Styles, and Glide Path Structures*.

**Target-Date Assets in CITs to Surpass Mutual Funds in 2023**

Assets in mutual fund-based Target-Dates ended 2022 below not only 2021's level, but 2020's level as well. At the end of 2017, mutual fund-based Target-Dates held 63% of Target-Date assets to 37% for CIT-based products. At the start of 2023, this mix was 52%/48%, MF to CIT. At the current rate of change, assets in CIT Target-Dates will top those in mutual fund Target-Dates during calendar year 2023.

Assets in CIT Target-Dates topped mutual fund Target-Dates at Vanguard for the first time in 2022—\$534 billion to \$522 billion at year-end. Nearly one-quarter of Fidelity's Target-Date AUM is now held in CITs, while more than half of T. Rowe Price and JP Morgan's Target-Date assets are also held in collective trusts. Today, there are 79 CIT-based Target-Date series on the market, to just 51 mutual fund-based series. Yet, there were more mutual fund products as recently as 2018. Over the last five years, assets in CIT-based Target-Dates increased an average of 16% annually vs. just 6% for mutual fund-based solutions, while seven new CIT Target-Date series launched for each new mutual fund series (42 to 6).

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### ***The 2022 Market Decline Did Little to Shift Control from DC Recordkeepers***

Firms with both asset management and defined contribution recordkeeping functions control 83 cents of every dollar invested in Target-Dates, despite managing only 54% of Target-Date series. The 10 largest Target-Date providers, which include seven firms with both full-service DC solutions and asset management, now control 94.1% of the AUM, up from 91.7% in 2017. Pure asset managers controlled just 16% of Target-Date assets at the end of 2022, despite managing 22% of Target-Date series.

After two consecutive years of declining asset share, Vanguard gained ground in 2022 to finish the year with \$1.1 trillion of Target-Date AUM, good for 37.3% asset share, the same level it held at the close of 2020. Amazingly, Vanguard gained market share despite losing \$133 billion of Target-Date assets in 2022. Only four other firms—Fidelity, T. Rowe Price, BlackRock, and Capital Group—manage more Target-Date assets than Vanguard lost last year. BlackRock is the only firm among this group that does not offer a full-service DC product.

Relative newcomer flexPATH Strategies, which launched its first Target-Date series in 2015, is now the 10<sup>th</sup> largest provider of Target-Date solutions, managing \$26 billion across a dozen different Target-Date series. Since the start of 2020, the growth of flexPATH Strategies (31% annually) outpaced all other large-scale Target-Date providers (i.e., those with at least \$1 billion of Target-Date AUM).

### ***“Passive” Target-Dates Now Control 60% of Target-Date Assets***

Target-Dates that invest in Passively-managed underlying funds finished 2022 with 60% share of Target-Date assets, up from 51% just five years ago. Over that same five-year span, assets in Passive Target-Dates increased 14% annually vs. only 4% for Active Target-Dates. Hybrid Target-Dates grew 15% annually, but from a much smaller asset base. At the start of 2023, Active Target-Dates held 31% of the AUM, down from 33% a year earlier, while Hybrid offerings held 9%. According to Chris J. Brown, Sway’s founder, “It’s highly likely that Passive Target-Date solutions will hold more than twice the assets of Active solutions before 2023 comes to a close.”

Vanguard put a stop to its declining share of Passive Target-Date assets in 2022, controlling \$1.1 trillion of Passive Target-Date assets and holding firm at 62% asset share. T. Rowe Price

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remained on top for Active Target-Date assets with \$303 billion under management at the close of 2022, good for 34% Active Target-Date asset share. Fidelity expanded its lead in Hybrid Target-Date assets again in 2022, ending the year with \$61 billion of AUM and a 24% share of Hybrid AUM.

#### ***Passive Target-Dates Retain a Massive LowFee Advantage***

On an asset-weighted basis, Target-Date expense ratios fell again in 2022. At year-end, the median asset-weighted ratio of an Active Target-Date mutual fund series was 1.4 times the median Hybrid series, and 2.7 times the median Passive series. The asset-weighted expense ratio of an average Active mutual fund series dropped from 58 to 57 basis points (BPs), while Hybrid series fell from 43 to 41 BPs, and Passive Target-Dates moved into single digits—from 11 to only 9 BPs. Sway does not evaluate fees for CIT products, given the poor quality of CIT fee and expense data, but similar differences likely exist among CIT-based Target-Dates as well.

#### ***About this Research Study***

Sway's annual in-depth study of the Target-Date market is based on a proprietary database of mutual fund and collective investment trust Target-Date portfolio and asset data, which included 130 Target-Date solutions with AUM as of year-end 2022, spread across more than 6,000 mutual fund share classes and CITs. This data is harnessed to provide insights into shifts within the \$2.8 trillion Target-Date market, including across products and providers, investment vehicles, underlying investments, management styles, and glide paths.

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#### ***About Sway Research, LLC***

Sway Research provides market data and analysis that empowers financial services executives to make decisions, effect change, and grow revenue. Leading manufacturers and distributors of investment products purchase Sway's research in syndicated reports, custom research projects, and strategy engagements. Sway is the leading provider of research and intelligence on the defined contribution investment-only market. Please visit [www.swayresearch.com](http://www.swayresearch.com) for more information.