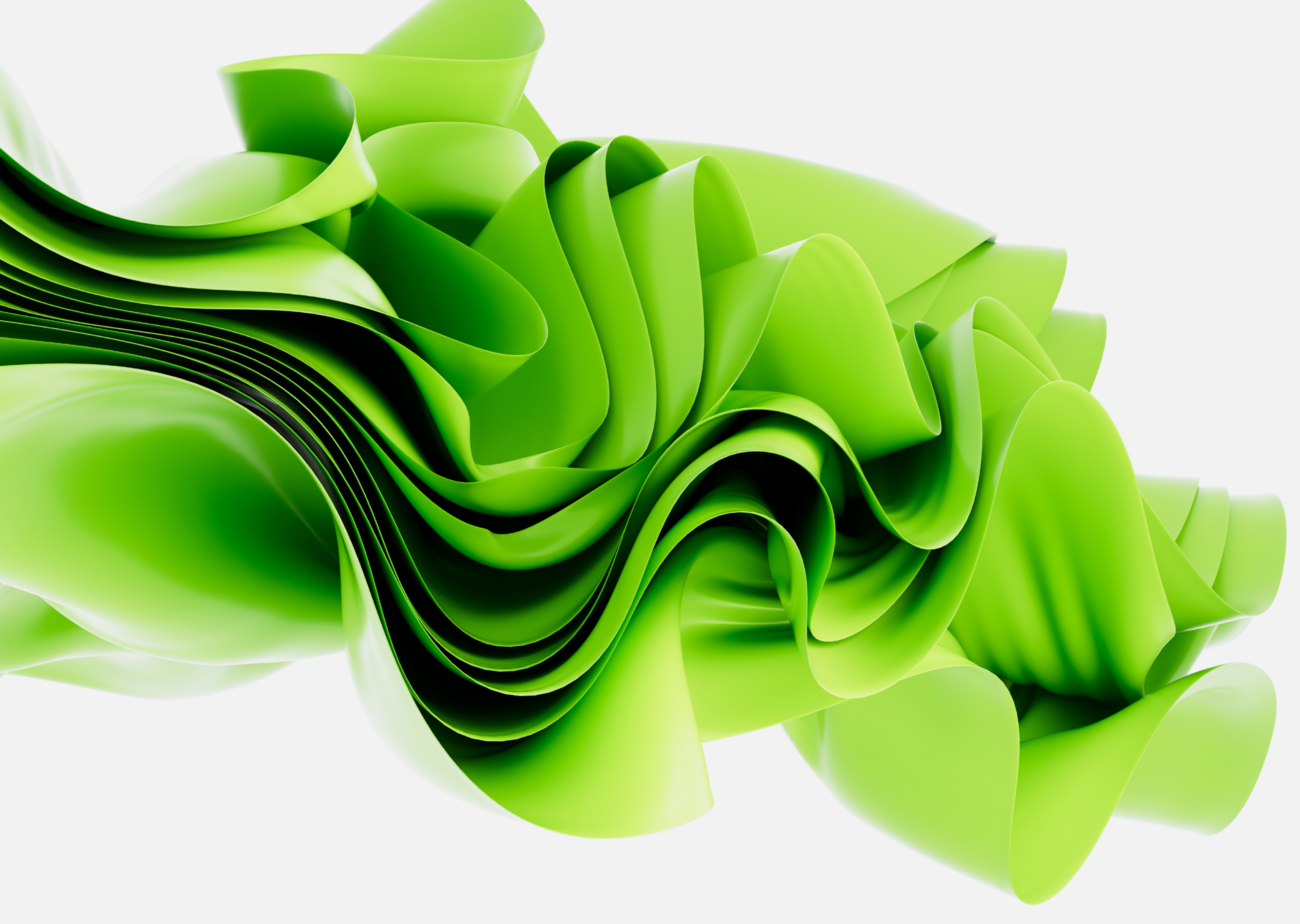

Ready, Set, Retire: How Target Date Funds Amplify Participant Confidence

December 2025

Voya Investment Management

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Introduction

Twenty years ago, Voya launched its first suite of target date funds (TDFs).

Two decades later, we wanted to know: *Are they actually working for retirement plan participants?*

We went straight to the source, surveying over 1,100 participants who were offered TDFs in their employer-sponsored retirement plans from late March through early April 2025 about their experiences alongside our biennial *Survey of the Retirement Landscape.*[1]

What we discovered offers **valuable insights for plan sponsors and defined contribution (DC) specialists about how they can better support participants.** These findings reveal critical insights about how TDFs help influence retirement readiness, reduce anxiety, and address participants' deepest concerns about turning savings into income.

Key findings

- **Simplicity drives TDF adoption:** Of the participants we surveyed, 83% of employed participants and 86% of retirees said they currently invest in TDFs. The majority cited good performance, ease of selecting a fund, and built-in diversification as their top reasons for choosing to invest in TDFs.
- **TDF adoption, in turn, drives retirement confidence:** 71% of participants who invested in TDFs indicated having much higher confidence about their ability to reach their retirement goals, compared with 58% of those who didn't invest in TDFs. TDF investors were also twice as likely to describe themselves as experienced or very experienced investors (56% vs. 24%).
- **TDFs reduce retirement planning stress:** 91% of TDF investors agreed that investing in a TDF alleviates stress, versus 73% of non-investors.
- **Participants are hungry for innovation:** They showed high interest in TDFs that offer features such as a multi-manager approach, enhanced diversification, and a blend of active and passive underlying investments.
- **Knowledge gaps persist:** While most participants said they understand TDF basics, misconceptions about guarantees and target date outcomes remained common.
- **Barriers are rooted in understanding and control:** Participants and retirees who didn't invest in TDFs often cited lack of understanding, a preference for self-managing investments, and concerns about cost. Good performance, leaving investing to professionals, built-in diversification, and time savings are the most effective motivators for changing their minds.

For DC specialists and plan sponsors, these findings underscore a critical message: **TDFs aren't just investment vehicles; they're confidence-building tools that can fundamentally shift how participants experience retirement planning.**

[1] Some exhibits may not sum due to rounding. "Participants" refer to actively employed participants and "retirees" refer to retired participants.

The TDF advantage: Confidence that shows in the numbers

Since Voya launched its TDFs in 2005, the retirement plan world has transformed. From the Pension Protection Act of 2006 through SECURE 2.0's phased implementation and the proposed SECURE 3.0, we see automatic enrollment, higher contribution rates, and broader access continuing to reshape how Americans save for retirement.

These legislative tailwinds, combined with what participants have told us about their needs, point to a clear opportunity: **TDFs offer the simplified, professional management many participants are seeking as they navigate an increasingly complex retirement landscape.**

The confidence paradox: Why do participants feel better despite market turbulence?

Coming into our survey, the U.S. stock market had just delivered two consecutive years of 25%+ returns following 2022's downturn. Zoom out further, and the picture becomes even more impressive: Since our last TDF survey in 2016, U.S. stocks stumbled only twice while racking up a cumulative return exceeding 200%—averaging about 15% annually.[2]

Yet, as participants completed this survey, storm clouds were gathering on the economic and market horizons. U.S. tariffs sparked extreme volatility. Recession fears mounted. Inflation crept above the Federal Reserve's 2% target and stubbornly stayed there. Interest rate cuts? Pushed further down the road. Consumer and business confidence? Sliding.

So, we asked participants a critical question: **In this environment, how confident did they really feel about retirement?**

The confidence factor: TDFs make a measurable difference

Against all odds, participants said they feel more ready to retire than they did two years ago. 69% now say they feel very or somewhat prepared for retirement—a solid 6% jump from 2023.

The Confidence Gap: 71% vs 58%

Participants who invested in TDFs were 13% more confident about reaching their retirement goals compared with those who didn't—and nearly 2x as likely to strongly agree about their confidence.

But a closer look revealed **some critical divides:**

- **The gender gap is real:** Women's retirement confidence still lags significantly behind men's: 58% of women said they feel very or somewhat prepared for retirement versus 79% of men. That's a gap that sponsor/specialist guidance can help close.
- **The advisor advantage is notable:** Participants working with a financial advisor were significantly more likely to feel very or somewhat prepared for retirement than those going it alone (90% vs. 65%).

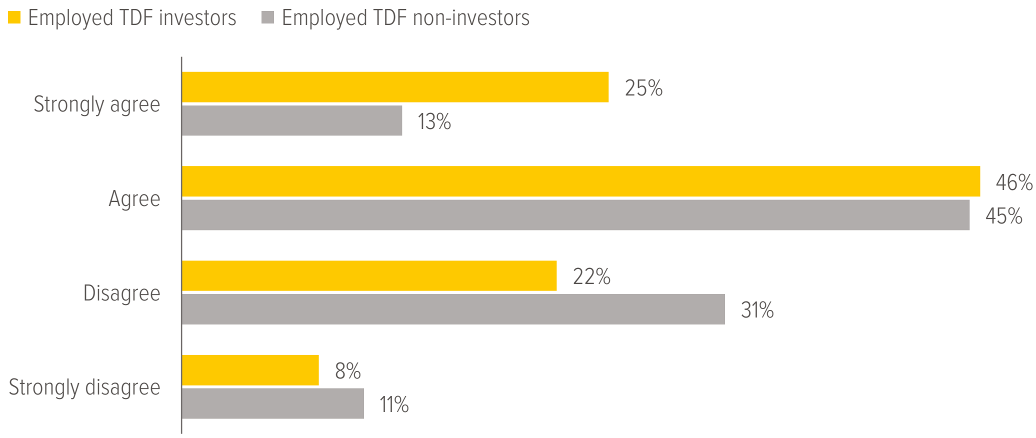
In the 2025 edition of our Survey of the Retirement Landscape, 43% of all participants said their confidence about retirement readiness has greatly or somewhat increased over the past two years. **Our subsequent research on retirement readiness found that one group stood out from the pack: those who invested in TDFs.**

Among employed participants who invested in TDFs, 71% agreed or strongly agreed they were confident—a full 13 percentage points higher than the 58% of participants who didn't invest in TDFs who felt the same way.

[2] As of 12/31/24. Source: FactSet.

Even more telling: **participants who invested in TDFs were nearly twice as likely to *strongly* agree they felt confident** (25% vs. 13%). This isn't marginal improvement; it's a fundamental shift in participants' sense of retirement readiness.

Exhibit 1: "I'm confident I'll reach my retirement goals."



Contribution Behavior: 61% vs 50%

Participants who invested in TDFs were more likely to contribute over 5% of their annual income compared with those who didn't invest in TDFs, demonstrating stronger savings discipline.

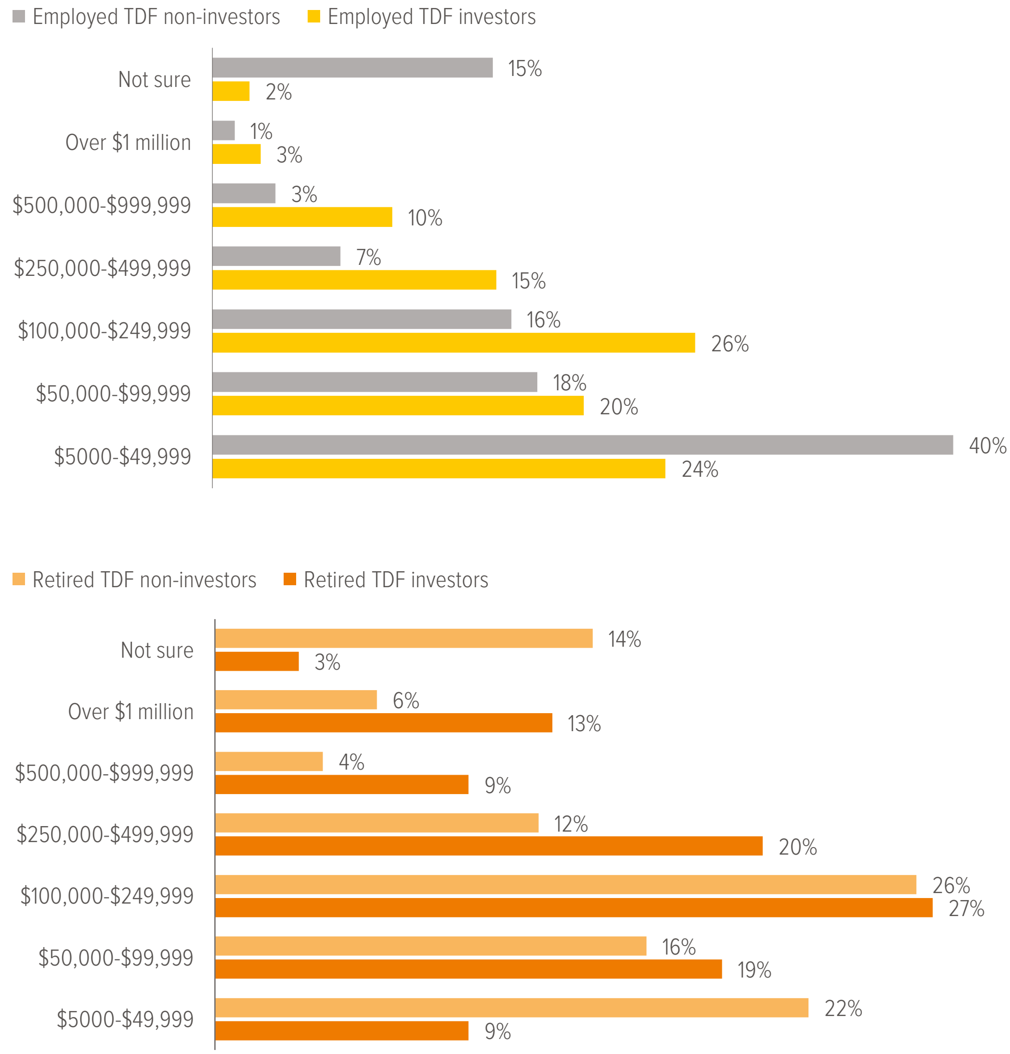
Participant confidence in reaching retirement goals:

- **Strongly agree:** 25% of participants who invested in TDFs vs. 13% of those who didn't
- **Total agree:** 71% vs. 58%
- **Total disagree:** 29% vs. 42%

This confidence wasn't lost on DC specialists or plan sponsors, either. **In the 2025 edition of our Survey of the Retirement Landscape, over three in four DC specialists told us they include TDFs in the plans they advise, while just over three in five plan sponsors said they have already added them.** Notably, nearly half of sponsors who didn't currently offer TDFs said they wanted to add them to their plans.

Participant contribution behavior also differed between those who invested in TDFs and those who didn't. 61% of participants who invested in TDFs contributed more than 5% of their annual income, compared with just 50% of those who didn't invest in TDFs. **TDF investors were also more likely to contribute to their plans at higher rates** (between 11% and 25%), suggesting a link between TDF adoption and more robust savings habits.

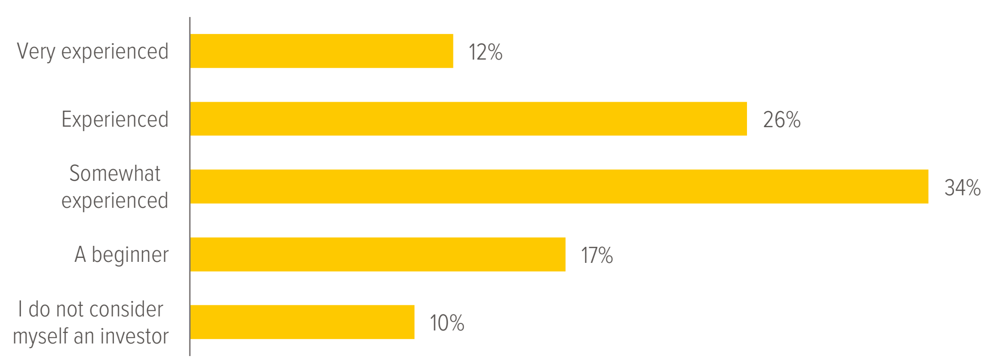
Exhibit 2: How much in total do you have saved in your employer-sponsored retirement plan?



Why this matters now

Nearly 30% of all respondents said they see themselves as a beginner investor or don't consider themselves investors at all. They're looking for reassurance and guidance on retirement decisions, which is where sponsors and DC specialists come in.

Exhibit 3: All respondents: Which of the following best describes your investment experience?



According to our 2025 *Survey of the Retirement Landscape*, participants' concerns are real and growing:

- 37% said they now plan to retire later than planned (up from 30% in 2023).
- 60% of participants between 18-49 reported they have not yet decided on a retirement age.
- More than half believed that inflation, market volatility, and economic uncertainty will have a severe/major impact on their ability to save for retirement.
- Many admitted they lacked confidence in making critical retirement decisions on their own, such as estimating health care costs in retirement, minimizing taxes when converting their savings to retirement income, and knowing how much they can spend each year in retirement.

The bottom line

Even as market volatility and economic uncertainty dominated headlines, **participants with the right support—whether from their sponsor or financial advisor or through simplified investment solutions like TDFs—said they're feeling more prepared for retirement, not less.** That's the kind of value proposition that resonates with sponsors looking to boost participant outcomes.

Why this matters for plan sponsors

Confident participants tend to be engaged participants. They may be more likely to increase contributions, stay the course during market volatility, and make sound decisions about their retirement timeline. By contrast, participants who lack confidence may exhibit problematic behaviors: withdrawing too early, taking loans against their balance, or simply disengaging from retirement planning altogether.

TDFs appear to provide what behavioral finance experts call "decision simplification," reducing the cognitive load of investment selection while maintaining professional asset allocation. The result: Participants feel they're making smart choices without needing to become investment experts themselves.

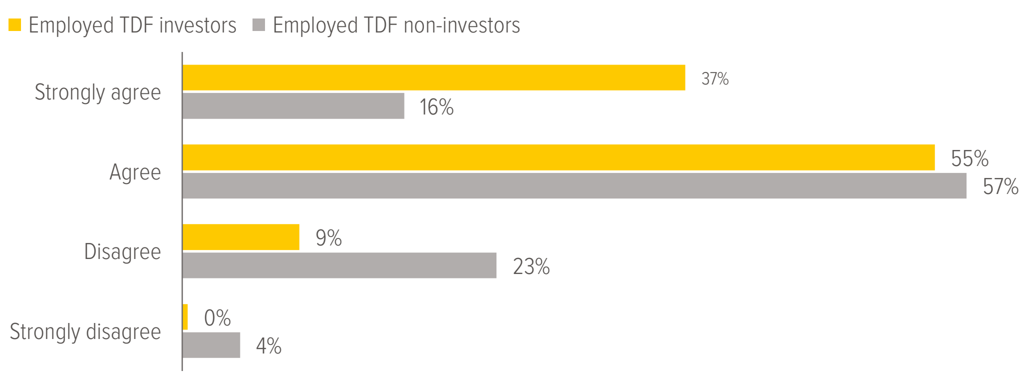
Stress relief: The unexpected benefit of TDFs

Stress Reduction: 91%

of participants who invested in TDFs agreed that investing in a TDF alleviates the stress of retirement planning, compared with 73% of those who didn't.

Perhaps the most powerful finding in our survey was that 91% of participants who invested in TDFs agreed that doing so alleviates the stress of retirement planning. Among participants who didn't invest in TDFs, that figure dropped to 73%.

Exhibit 4: "I feel investing in a TDF alleviates/would alleviate the stress of retirement planning."



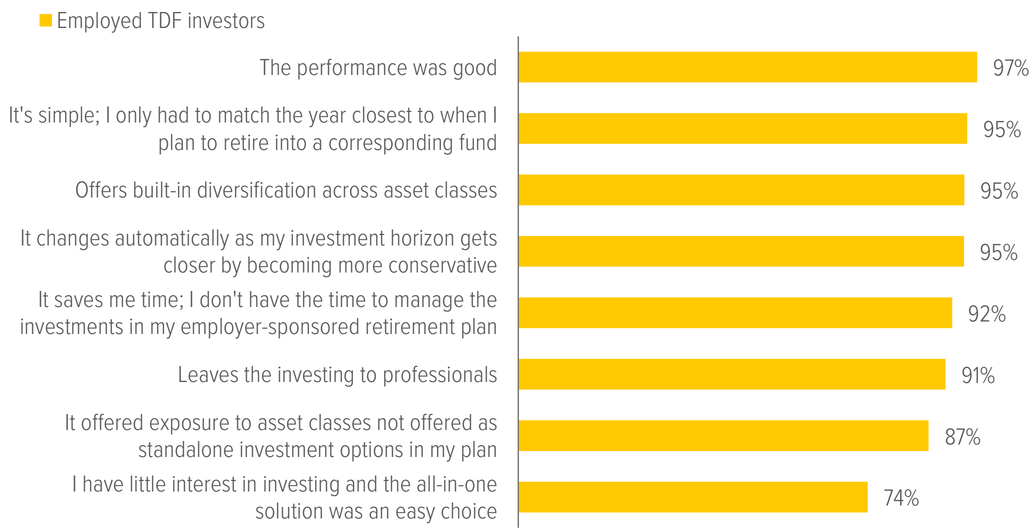
The gap widens further when we look at strong agreement. **37% of participants who invested in TDFs *strongly* agreed that TDFs reduce stress, compared with just 16% of those who didn't**—a difference of more than 2x.

"Investing in a TDF alleviates the stress of retirement planning"

- **Strongly agree:** 37% of participants who invested in TDFs vs. 16% of participants who didn't invest in TDFs
- **Total agree:** 91% vs. 73%
- **Total disagree:** 9% vs. 27%

What drives this stress reduction? The answer lies in the core design of TDFs. Participants who invested in TDFs consistently cited several key factors, including good performance, ease of selecting a fund by matching it to the year closest to their planned retirement, built-in diversification across asset classes, automatic reallocation, and professional management.

Exhibit 5: How important were each of the following when considering why you chose to invest in a TDF?
% very/somewhat important



For plan sponsors facing the challenge of participant engagement, these findings suggest that TDF adoption isn't just about investment outcomes. It's about **creating a retirement savings experience for participants that feels manageable, rather than overwhelming.**

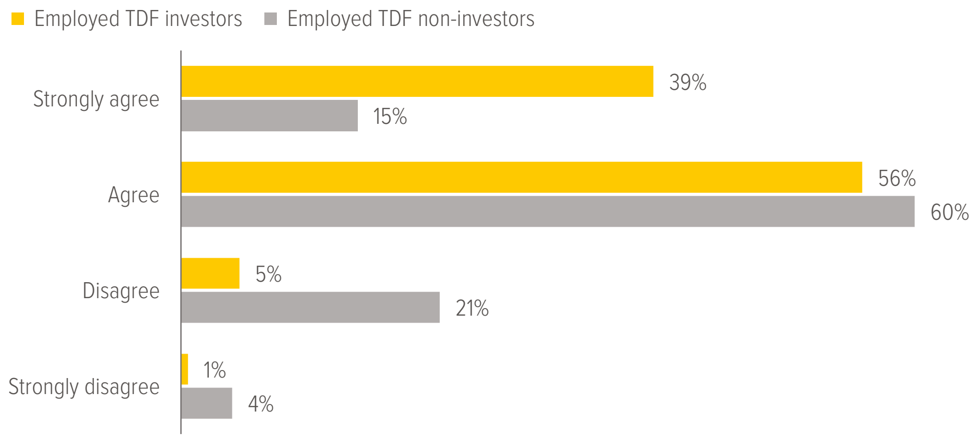
The confidence multiplier: TDFs and investment decision-making

Our survey revealed that **TDFs create a "confidence multiplier effect" in two distinct but related areas:**

1. **Confidence in making good investment decisions**

When asked whether investing in a TDF increases their confidence in making good investment decisions, 95% of participants who invested in TDFs agreed—with 39% strongly agreeing. Among participants who didn't invest in TDFs, total agreement dropped to 75%, with strong agreement at just 15%.

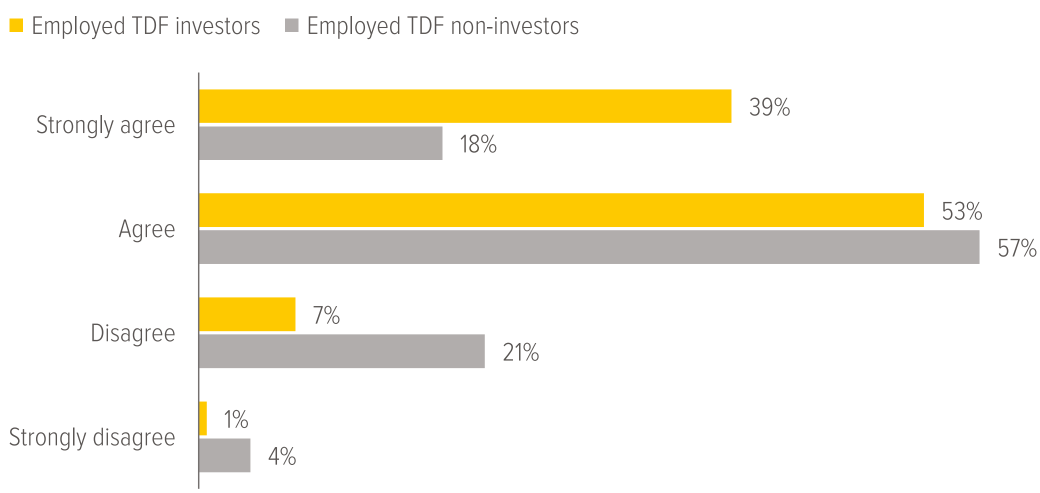
Exhibit 6: "A TDF increases my confidence that I am making good investment decisions."



2. Confidence in having a successful retirement

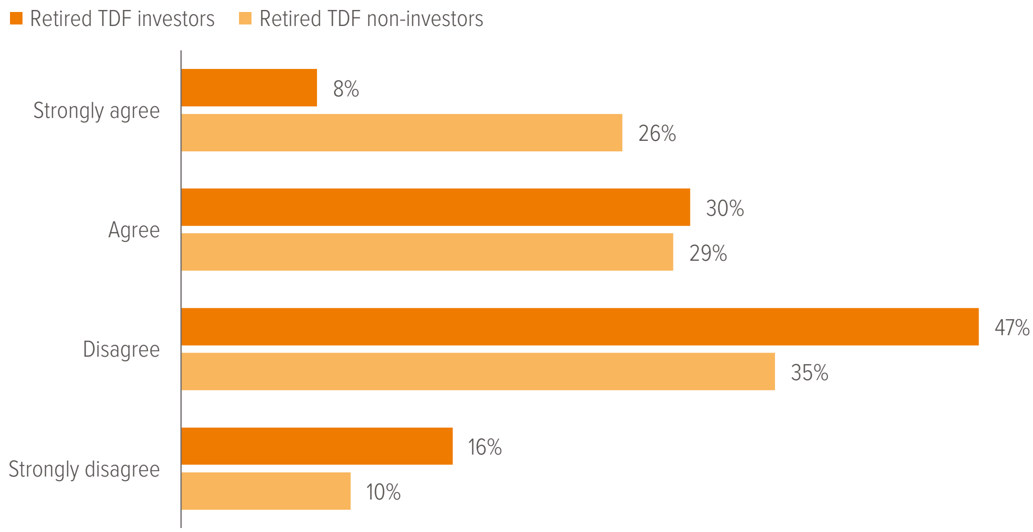
This confidence effect extended beyond investment decisions to participants' overall sense of retirement security. When asked whether having a TDF would increase their confidence in having a successful retirement, 92% of participants who invested in TDFs agreed, compared with 75% of those who didn't. The strong agreement gap was even wider: 39% vs. 18%.

Exhibit 7: "A TDF will increase my confidence that I will have a successful retirement."



But getting to retirement is only half the battle; the other half is having enough money throughout retirement and not outliving savings. While TDF investors and non-investors who were still working were similarly concerned about outliving retirement savings, retirees themselves had diverging views. **Retirees who invested in TDFs said they were significantly less worried about running out of money, compared with retirees who did not invest in TDFs.**

Exhibit 8: "I am concerned about outliving my retirement savings."



Implications for participant outcomes

These confidence metrics matter because they tend to predict behavior. Participants who feel confident in their investment decisions may be more likely to:

- Maintain consistent contributions through market cycles
- Avoid panic-selling during downturns
- Increase their savings rate over time
- Stay invested in their employer's plan rather than cashing out at job changes

For DC specialists counseling plan sponsors on investment lineup design, these findings provide compelling evidence that **TDFs serve a dual purpose: delivering professional asset allocation *and* building the psychological foundation for long-term retirement success.**

Knowledge Advantage: 60% vs. 45%

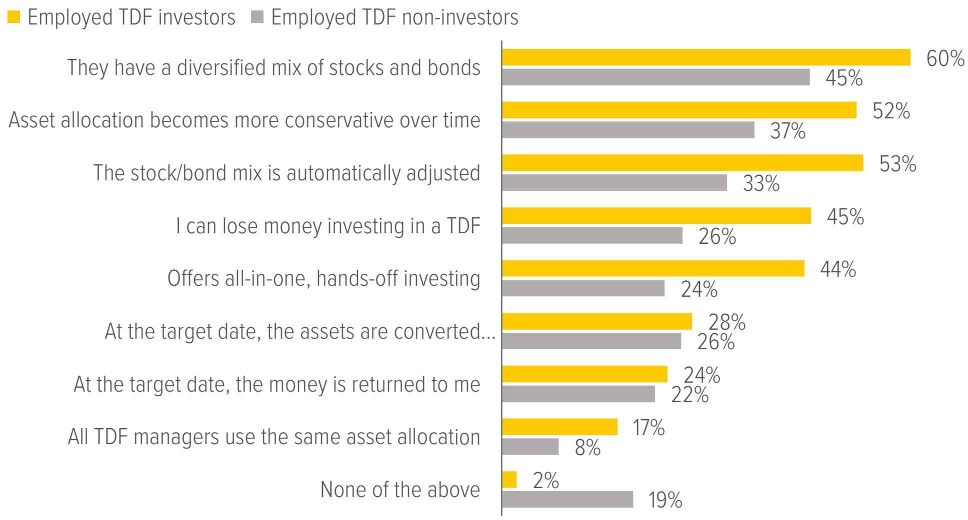
Participants who invested in TDFs showed significantly better understanding of TDF features, with 60% correctly recognizing diversification benefits compared with 45% of those who didn't invest in TDFs.

Understanding TDF knowledge: What participants know (and don't know)

When we tested respondents' knowledge of TDFs, the results showed solid understanding of fundamental features. However, **responses from participants who invested in TDFs were generally more accurate.**

- **Diversification:** 60% of participants who invested in TDFs correctly recognized that TDFs include a mix of stocks and bonds, compared with 45% of non-investors.
- **Glide path:** 52% of participants who invested in TDFs knew that asset allocation becomes more conservative over time, versus 37% of non-investors.
- **Automatic asset allocation:** 53% of participants who invested in TDFs understood that the stock/bond mix is automatically adjusted, compared with 33% of non-investors.
- **Risk awareness:** 45% of participants who invested in TDFs acknowledged that it's possible to lose money in TDFs, while only 26% of non-investors did.

Exhibit 9: Which of the following statements do you think are true about TDFs?



However, knowledge gaps remained even among TDF investors—and some carry important implications for participant expectations.

- 28% of participants who invested in TDFs and 26% of non-investors believed assets convert to guaranteed income at the target date (they do not).
- 24% of participants who invested in TDFs and 22% of non-investors thought money is returned to them at the target date when they retire (it is not).
- 17% of participants who invested in TDFs and 8% of non-investors assumed all TDF managers use the same asset allocation (approaches vary significantly).

What does this mean for communication strategy?

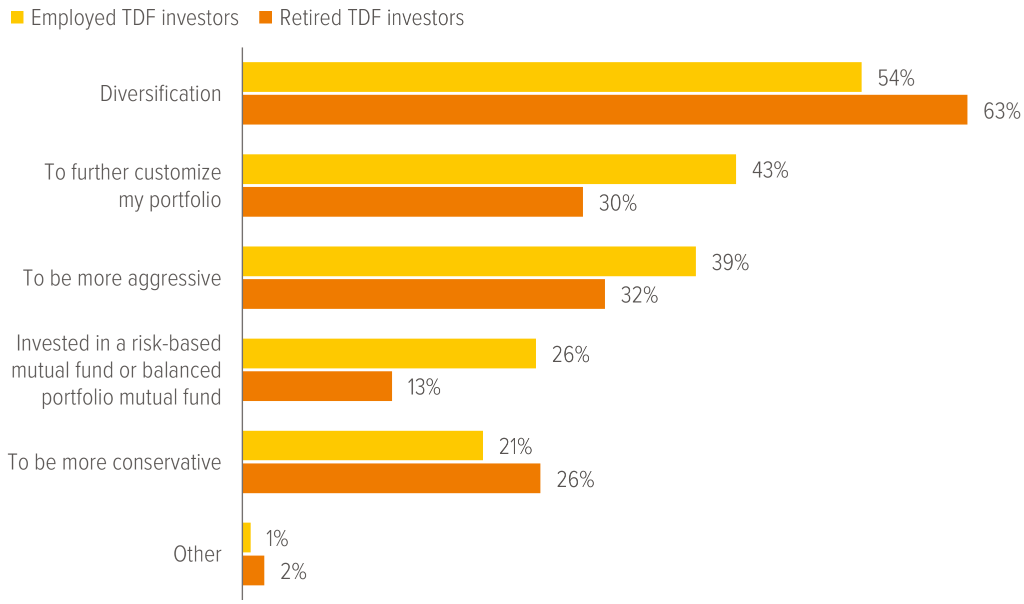
These findings suggest that TDF ownership drives familiarity, but **persistent misconceptions among both groups highlight the need for ongoing education.**

For plan sponsors and advisors, this suggests two priorities. First, leverage TDF ownership as an engagement opportunity by reinforcing correct understanding. Second, address critical misbeliefs proactively to manage expectations and help reduce potential dissatisfaction.

Consistent communication about what TDFs do (and don't do) can help participants make informed decisions and avoid surprises at retirement. We see opportunity—and necessity—for clearer messaging about:

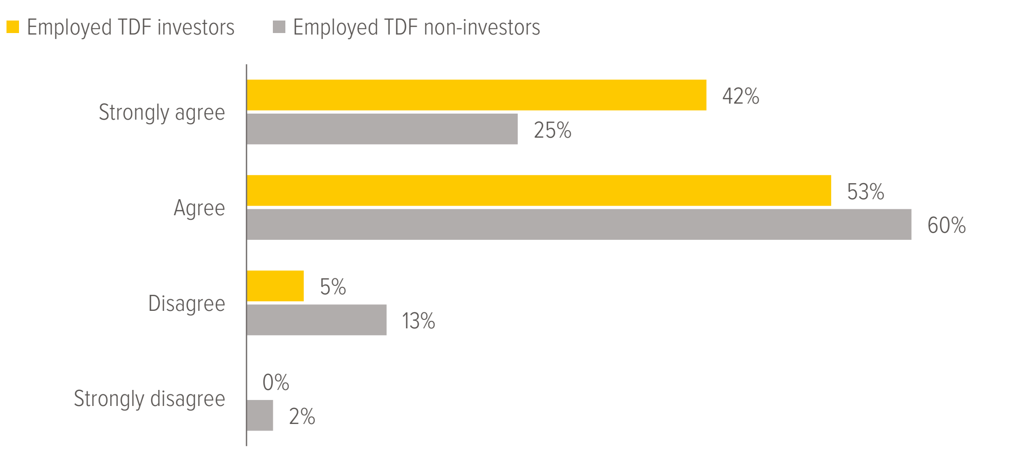
1. **Withdrawals at retirement:** Many participants did not realize that they will need to actively initiate withdrawals when they need income in retirement if their TDF does not automatically distribute assets or convert to an income stream.
2. **Guaranteed income vs. market-based returns:** A significant minority conflated TDFs with annuities or guaranteed products.
3. **Manager differences:** Participants may not realize that TDF glide paths, asset class exposures, and investment philosophies vary across providers.
4. **Guidance on TDF selection:** More than one-third of employed participants who invested in TDFs said they hold more than one TDF, often for reasons such as diversification, uncertainty about retirement age, or participation in multiple plans. This highlights the need for straightforward guidance on TDF selection and the potential benefits of blended or personalized solutions.

Exhibit 10: Why are you investing in another option in addition to the TDF you own?



5. **Behavioral cues matter:** 95% of employed participants who invested in TDFs agreed that receiving messaging that emphasizes "staying the course" during volatile markets would be helpful.

Exhibit 11: "Messages that emphasize staying the course during volatile markets would be helpful."

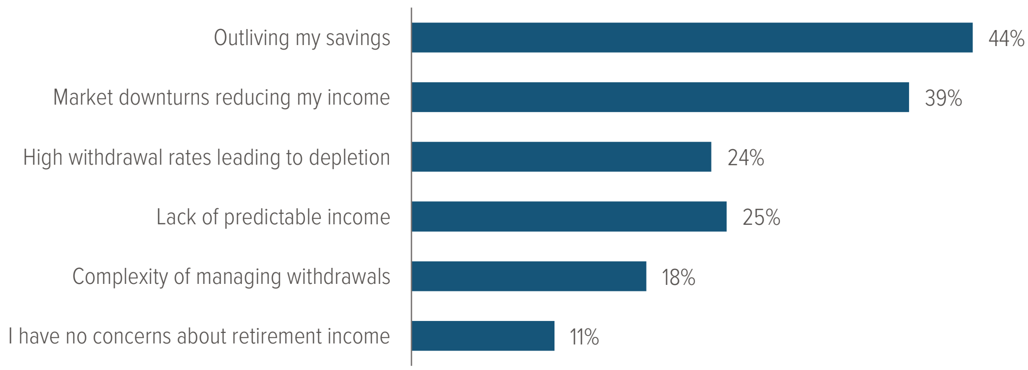


For plan sponsors, this underscores **the importance of ongoing participant education, especially as employees approach their target retirement dates.** Clear communication about TDF mechanics can prevent disappointment and help participants make informed decisions about whether to stay in the TDF or transition to other options.

The retirement income challenge: What keeps participants up at night?

When we asked participants about their biggest concerns regarding retirement income, their responses painted a picture of deep-seated anxiety:

Exhibit 12: All respondents: What concerns you most about turning your retirement savings into retirement income?



Top Retirement Income Concern: 44%

of all participants said they worried about outliving their savings—the top concern about turning savings into retirement income.

Interestingly, participants who invested in TDFs prioritized these concerns differently than those who didn't.

Participants who invested in TDFs were significantly more concerned about:

- Market volatility impacting income (44% vs. 33% of TDF non-investors)
- Managing withdrawal complexity (25% vs. 15%)

Participants who did not invest in TDFs were significantly more concerned about:

- Lack of predictable income streams (32% vs. 22% of TDF investors)

This suggests that TDF investors have thought more concretely about the *mechanics* of retirement income; for example, how market swings affect withdrawals, how to manage systematic distributions, or how fast to draw down assets. **TDF non-investors, meanwhile, seemed more concerned about the fundamental structure of retirement income: "Will I have a reliable, paycheck-like income?"**

Perhaps most telling: **Just 11% of all respondents indicated they have no concerns about retirement income.**

Among employed TDF investors, that figure drops to 6%, while 13% of employed non-investors expressed no concerns.

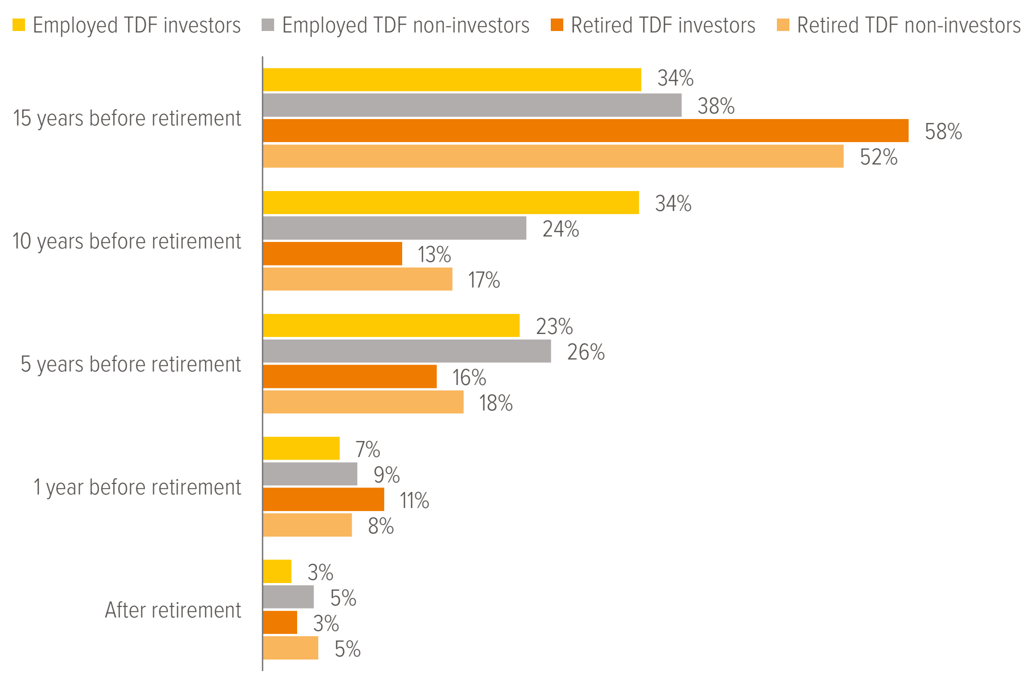
This isn't necessarily paradoxical. **Participants who invest in TDFs may be more engaged with retirement planning and, therefore, more aware of the challenges ahead.** Their lower "no concerns" rate might reflect greater financial literacy rather than greater anxiety.

Our survey also explored when respondents would ideally like to start receiving information or education about retirement income options. We learned that **early education was strongly preferred, especially among retirees,** who may in retrospect recognize the value of early outreach and may wish they had received it sooner. This is a powerful signal for plan sponsors and advisors to start engaging participants much earlier in their careers.

Most respondents also recognized that last-minute or post-retirement education is not ideal. This underscores the importance of proactive, long-term planning.

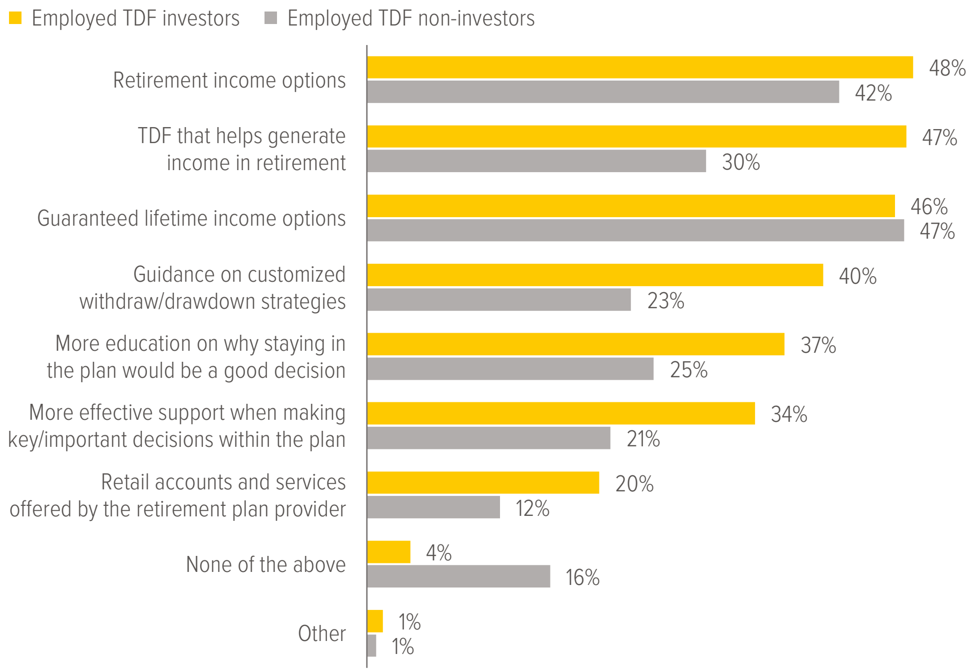
TDF ownership may influence timing preferences for educational outreach. Our survey showed that TDF investors, especially those who were retired, may be more attuned to the benefits of early planning, possibly due to their experience with professionally managed solutions.

Exhibit 13: When would you like to start receiving information/education about retirement income options?



Our research in 2025's *Survey of the Retirement Landscape: Plan Sponsor Sentiments* revealed that sponsors are eager to retain terminated and retired participants' assets in the plan. According to our TDF survey, **44% of participants said that having retirement income options available in their plan would encourage them to keep assets there after they retire.**

Exhibit 14: Which of the following would make you more likely to consider keeping your assets in your employer-sponsored retirement plan when you retire?

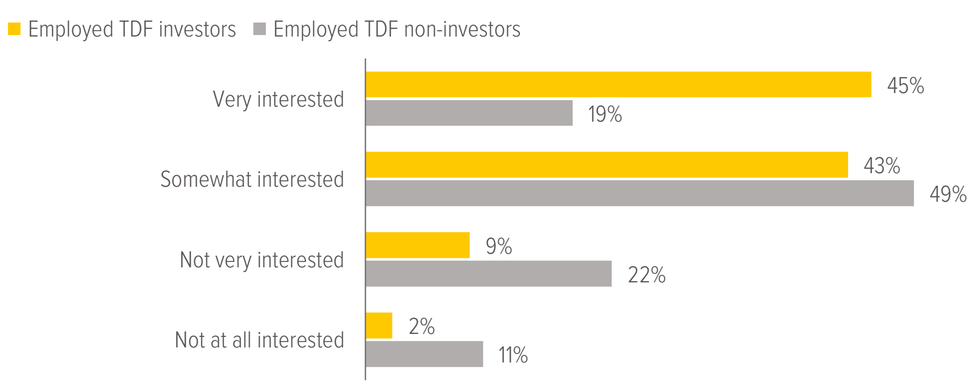


The case for TDFs as default options

Our survey asked participants about various plan design features, and the **responses strongly supported current trends toward automatic enrollment and TDFs as qualified default investment alternatives (QDIAs).** Notably, when TDFs were offered in a plan, over 80% of eligible participants chose to invest in them. This underscores the power of plan design and the importance of making TDFs available as a default option.

Participants showed strong interest in having a TDF as the default investment option. 93% of participants who invested in TDFs agreed with this statement, as did 79% of participants who did not invest in TDFs.

Exhibit 15: How interested would you be in a TDF as the default investment option in your employer-sponsored retirement plan?



Participants also supported automatic enrollment into employer-sponsored retirement plans, along with automatic contribution increases (auto-escalation). These features align with the hands-off appeal of TDFs.

Exhibit 16: "I feel that automatic enrollment into my employer's retirement plan would be helpful to employees."

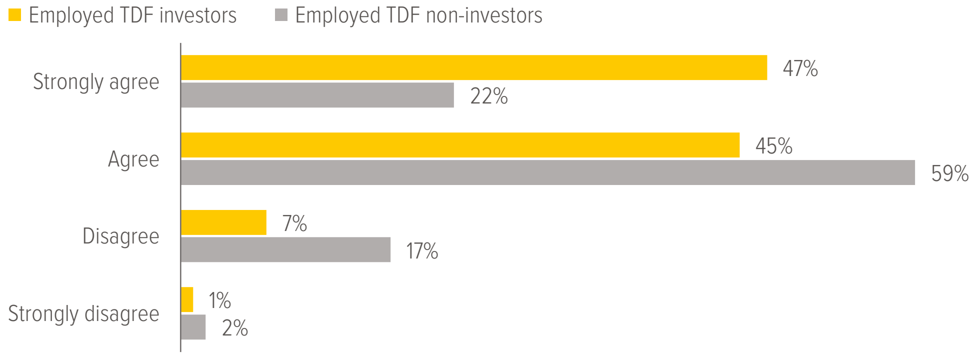
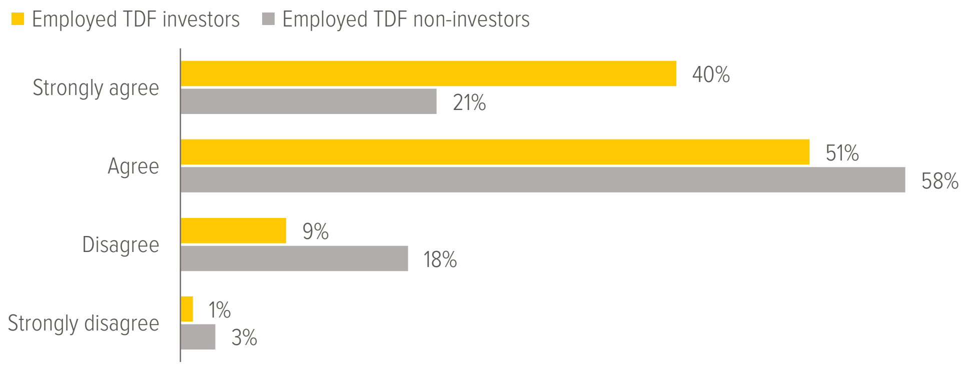


Exhibit 17: "I feel that automatic increases in retirement plan contribution rates would be helpful to employees."



Why defaults matter

Behavioral economics research has long shown that default options powerfully shape participant behavior. Most employees simply accept whatever investment their plan automatically enrolls them into. A TDF QDIA translates into:

1. **Inertia working in participants' favor:** Those who don't actively choose an investment still benefit from professional asset allocation.
2. **Age-appropriate risk exposure:** The TDF glide path ensures younger investors aren't too conservative, while older investors aren't overexposed to equities.
3. **Reduced opt-out rates:** When the default is perceived as sensible, fewer participants opt out entirely.

For plan sponsors, the data make a clear case: **TDFs meet Department of Labor and ERISA standards for QDIAs—and align with participants' actual preferences and needs.**

Which TDF features matter most to participants?

In our survey, participants were clear about what matters most to them in TDFs. Their top priorities included securing predictable income and benefiting from expert investment management.

Interest in potential growth vs. downside risk mitigation

The Growth/ Downside Risk Mitigation Prioritization Gap: 2X

Participants who didn't invest in TDFs were twice as likely to view potential growth and downside risk mitigation as equally weighted concerns approaching retirement than participants who invested in TDFs, suggesting an opportunity to educate about sequence-of-returns risk.

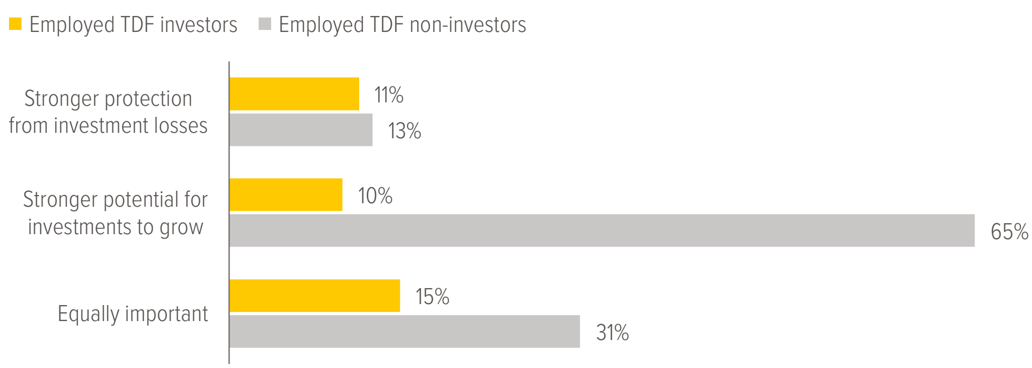
Another notable finding from our survey was that participants who did not invest in TDFs were twice as likely to identify growth potential and downside risk mitigation as equally important concerns in the years leading up to and into retirement than participants who invested in TDFs.

This **2x difference** suggests that TDF non-investors may be:

- Overconfident in their risk tolerance near retirement
- Underestimating sequence-of-returns risk
- Not fully appreciating the "retire into a bear market" possibility

Conversely, TDF investors showed relatively balanced priorities, suggesting that TDF education may have helped them understand the tradeoffs, even if they haven't yet fully embraced downside risk mitigation yet.

Exhibit 18: In the last few years before your retirement and first few years in retirement, which of the following do you think will be more important to you?

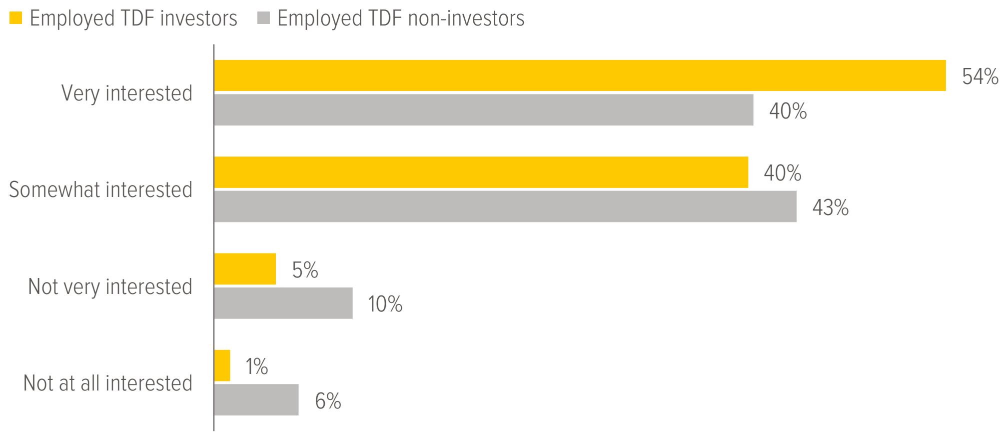


This aligns with the retirement income concerns we identified earlier, particularly the fear of market downturns reducing income. TDF investors approaching retirement may better understand that sequence-of-returns risk (suffering losses early in retirement) can permanently impair their standard of living.

Interest in guaranteed income options

There was also **strong interest in TDFs that turn assets into a guaranteed stream of income at retirement**. This addresses the "lack of predictable income" concern that affected one in four of all participants.

Exhibit 19: How interested would you be in investing in a TDF that offered guaranteed lifetime income?

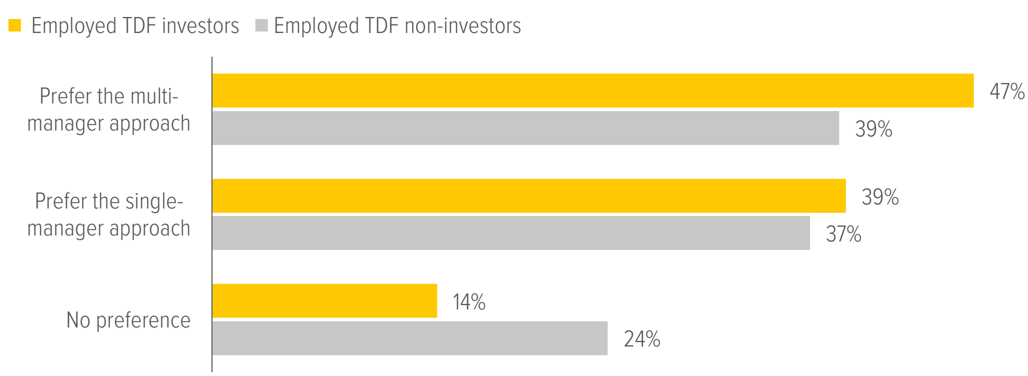


However, this interest must be balanced against the possibility that many participants may not yet understand how guaranteed income products work or what tradeoffs they involve (such as reduced liquidity or bequest potential).

Multi-manager vs. single-manager TDFs

Employed participants expressed **interest in TDFs managed by multiple investment managers, designed to use the best managers for each asset class.** The appeal here is intuitive: Why settle for one manager's expertise when you could access multiple specialists?

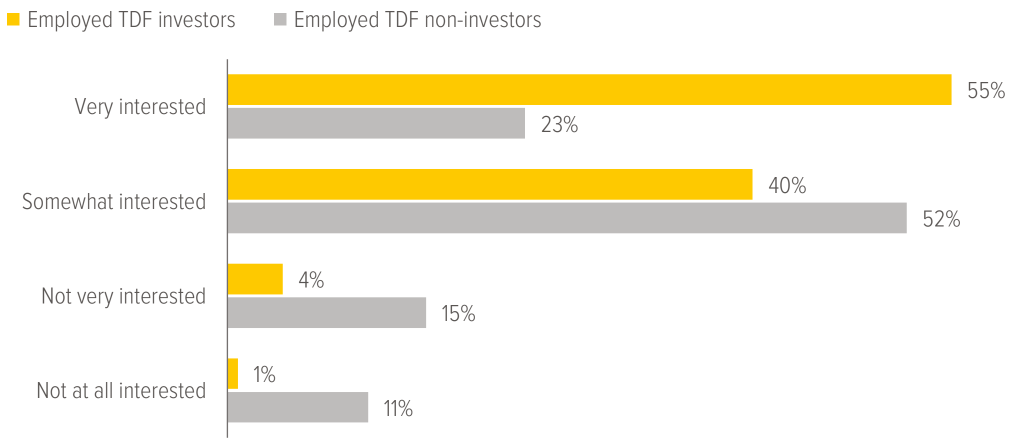
Exhibit 20: Would you prefer to invest in a TDF that allocates to multiple investment managers to gain exposure to best-in-class managers across different asset classes, or a single asset manager with experience in all asset classes?



Active vs. passive management

Interest in TDFs that include a mix of active and passive management was also high. This suggests participants appreciate the cost efficiency of indexing for some exposures while valuing active management's potential to add value in less efficient markets.

Exhibit 21: How interested would you be in TDFs that include a mix of active and passive underlying strategies?



The benefits of financial advisors

+25%

Participants working with an advisor were 25% more likely to say they felt prepared for retirement compared with participants going it alone.

Our 2025 Survey of the Retirement Landscape survey found that **participants who work with professional financial advisors showed higher confidence across nearly every metric.** They were more confident about:

- Reaching their retirement goals
- Making investment decisions
- Managing retirement income
- Understanding their investment options

However, **most respondents from our TDF survey said they don't currently work with a financial advisor,** pointing to a significant opportunity for advisors who focus on retirement planning and participant education.

Exhibit 22: All respondents: Do you currently work with a professional financial advisor?

For plan sponsors, this suggests that **offering access to advice can meaningfully improve participant confidence—**whether through one-on-one consultations, managed accounts, or group education sessions.

Implications for plan sponsors

1. Recognize that TDFs are more than investments—they're confidence builders

The data make clear that TDFs serve a dual purpose in retirement plans. Yes, they provide professional asset allocation and age-appropriate risk management. But they also **create psychological benefits that translate into better participant behavior:** higher confidence, lower stress, greater engagement, and more consistent saving.

When evaluating TDF providers, consider not just investment performance but also how effectively the provider communicates their strategy, manages participant expectations, and addresses retirement income planning.

2. Prioritize ongoing communication

The knowledge gaps we identified—particularly around what happens at the target date and the difference between TDFs and guaranteed income products—point to the need for ongoing participant education.

Effective communication should:

- **Explain TDF mechanics clearly,** especially the glide path and what happens at retirement.
- **Set realistic expectations** about market risk and return potential.
- **Clarify that TDFs don't automatically convert to guaranteed income.**
- **Help participants identify when it may be appropriate to transition out of a TDF.**

3. Explore enhanced TDF features

Participant interest in downside risk mitigation and guaranteed income options suggested that plan sponsors should explore:

- TDFs with **more conservative glide paths near retirement**
- Options that **incorporate buffer or floor strategies**
- **Retirement income solutions that integrate with TDFs**
- **Managed payout funds** for post-retirement

4. Strengthen your default design

Participants' strong support for automatic enrollment and TDFs as default options validated current best practices. But don't stop there-consider taking steps to:

- **Ensure your plan's default contribution rate is high enough to make a difference** (consider 6% or higher).
- **Implement auto-escalation** to help participants reach adequate savings rates.
- **Re-enroll participants** who previously opted out.
- Use **automatic features to overcome inertia** in positive ways.

5. Tackle the income challenge early

With 44% of participants worried about outliving their savings and another 39% concerned about market downturns reducing income, retirement income planning can't be an afterthought.

Consider:

- **Adding retirement income education at least 15 years before typical retirement age.**
- **Offering refresher resources** and targeted sessions as retirement approaches.
- **Leveraging retiree insights,** such as testimonials or case studies, to emphasize the value of early education to current employees.
- Offering **tools to model retirement income scenarios.**
- Providing **access to guaranteed income options** (either in-plan annuities or out-of-plan guidance).
- **Helping participants understand sustainable withdrawal rates.**

Implications for financial advisors

1. View TDFs as your ally, not your competition

Some advisors view TDFs as a threat—automated investing that could replace personalized advice. Our data suggest the opposite: TDFs create more confident, engaged participants who are *more likely* to seek professional guidance, not less.

Participants using TDFs understand they're making a smart baseline decision, but they still value professional advice for:

- Coordinating retirement accounts with outside assets
- Planning retirement income strategies
- Managing health care costs and other retirement expenses
- Estate planning and wealth transfer

2. Sharpen your value proposition

When working with plan sponsors, emphasize how you can enhance—not replace—the TDF structure:

- Help participants understand whether a TDF alone is sufficient or if they should supplement with other holdings.
- Provide guidance on contribution rates and catch-up contributions.
- Offer retirement income planning as participants approach their target date.
- Coordinate 401(k) strategy with IRAs, taxable accounts, and Social Security claiming decisions.

3. Address knowledge gaps

Use the misconceptions our survey identified as conversation starters:

- "Many investors think TDFs automatically convert to guaranteed income at retirement—let me explain what actually happens…"
- "Your TDF has been a great core holding, but as you get closer to retirement, we should talk about whether you want to stay in the fund or transition to a more customized income strategy…"

4. Leverage confidence data

When discussing investment options with participants, you can reference research showing that TDF investors have higher confidence—then position your advice as building on that foundation:

- "The research shows TDF investors feel more confident about retirement, and that's great. My role is to help you feel even more confident by creating a holistic plan that goes beyond just investment allocation …"

Looking ahead: The future of TDFs

Retirement income integration

The retirement income concerns participants expressed—combined with their interest in guaranteed income features—suggest that **the next generation of TDFs will need to address decumulation more directly.** We're already seeing innovation in this space:

- TDFs with built-in retirement income tiers
- Glide paths that extend *through* retirement, not just to it
- Integration with in-plan annuity options
- Managed payout structures

Personalization within automation

While participants said they value TDFs' simplicity, there was growing interest in personalization. Future TDF structures might offer:

- Risk tolerance adjustments within a target date
- Ability to modify the glide path based on retirement income goals
- Integration with managed accounts for more tailored advice

Enhanced communication

As TDF adoption continues to grow, providers who invest in participant communication will stand out. This means:

- Clearer explanations of glide paths and target date methodology
- Regular communications about portfolio positioning and market outlook
- Tools to help participants visualize retirement readiness
- Guidance on transitioning from accumulation to decumulation

Why TDFs matter more than ever

Twenty years after TDFs' emergence, the evidence of their impact on participant confidence and behavior is conclusive. **Participants who own TDFs aren't just better invested; they're more confident, less stressed, and more engaged in retirement planning.**

For plan sponsors, offering TDFs as a QDIA isn't just about regulatory compliance or investment prudence. It's about giving participants a tool that fundamentally improves their retirement planning experience.

For financial advisors, TDFs represent an opportunity to meet participants where they are—starting with a solid foundation of professional asset management—and building comprehensive retirement planning on top of that base.

The challenges remain significant: Participants still worry about outliving their savings, market downturns, and retirement income complexity. But our research shows that **TDFs provide a critical first step toward addressing these concerns** by building the confidence and engagement necessary for long-term retirement success.

As the retirement landscape continues to evolve, one thing is certain: **TDFs will remain central to helping millions of Americans navigate the complex journey from saving to spending, from working to retirement, from anxiety to confidence.**

About this research

This paper is based on Voya Investment Management's comprehensive survey of retirement plan participants conducted in March and April of 2025. The survey included over 1,100 participants, including both employed participants and retirees, with representation across TDF investors and non-investors.

The findings provide a current snapshot of participant attitudes, knowledge, and concerns about TDFs and retirement planning more broadly. All data presented reflect participant self-reporting and should be considered alongside other research and industry benchmarks.

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