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# Target Date Fund Guide: The Complete Analysis Before You Set and Forget

Target date funds are the most widely held investment vehicle in American 401(k) plans and the most frequently misused — not because the funds are bad, but because investors who pair them with other funds, choose the wrong target year, or pay 0.5–1.0% more in expense ratios than necessary are quietly leaving real money behind. This guide covers how glide paths actually work, how to compare Vanguard versus Fidelity Freedom versus Schwab by expense ratio and allocation, when TDFs are genuinely the right call versus when they are not, how to choose your target year correctly, and the specific double-counting problem that occurs when you hold a TDF alongside a separate bond or stock fund.

## 1. Foundation

A target date fund is a fund of funds — it holds a portfolio of other funds inside it, automatically adjusting the allocation between stocks and bonds over time based on the target year in its name. A Vanguard Target Retirement 2050 Fund held today is approximately 90% stocks and 10% bonds. As 2050 approaches, the allocation gradually shifts toward more bonds and fewer stocks — this automated shift is called the glide path. The investor does not need to rebalance, reallocate, or make any decisions; the fund handles it automatically. By the target date, Vanguard's fund reaches roughly 50% stocks and 50% bonds. Five to ten years after the target date, it transitions to an income-oriented allocation at approximately 30% stocks and 70% fixed income.

**The glide path is the most important feature that varies across fund families — and most investors never examine it.** At 25 years before the target date, the stock/bond split is broadly similar across major providers. The divergence happens in the final 10 years before and after the target date. Fidelity Freedom funds arrive at the target date with approximately 55% stocks and taper to about 24% stocks 10–15 years into retirement — the most conservative major glide path. Vanguard Target Retirement funds

arrive at roughly 50% stocks and stabilize around 30% stocks in the income phase. Schwab Target Date Index funds maintain approximately 60% stocks at the target date and stabilize around 35% stocks — the most aggressive major glide path. None of these is objectively correct; the right glide path depends on pension income, other assets, Social Security benefits, and personal risk tolerance.

**The expense ratio difference between TDF series is the most actionable variable because it compounds silently for decades.** Fidelity Freedom 2050 (actively managed) charges 0.75% annually. Fidelity Freedom Index 2050 charges 0.12%. Vanguard Target Retirement 2050 charges 0.08%. Schwab Target Date Index 2050 charges 0.08%. On a \$200,000 balance over 20 years at 7% annual returns, the 0.63% expense ratio difference between Fidelity Freedom and Freedom Index costs approximately \$53,000 in foregone compounding. The actively managed version of any TDF family — Fidelity Freedom, American Funds Target Date, T. Rowe Price Target Date — almost universally underperforms its index-based sibling over 15-year periods while charging 5-10x more in fees. In a 401(k) context, this means finding the cheapest TDF available in your specific plan menu, which is often the index version.

**The set-it-and-forget-it value proposition is real and most people underestimate the behavioral benefit.** Studies of 401(k) investor behavior consistently show that DIY allocators rebalance too infrequently, drift significantly off target allocation during bull markets, and sell at precisely the wrong times during market downturns. Target date funds remove all three failure modes. The fund rebalances automatically, the glide path adjusts automatically, and since a single fund cannot be individually "out of balance," there is no trigger for panic-selling a specific component. For a 25-year-old with a 40-year horizon who has zero interest in managing investments, owning a single low-cost Target Retirement fund and contributing consistently is a nearly optimal strategy that outperforms most active DIY approaches on a net-of-fees and net-of-behavioral-errors basis.

## 2. Step-by-Step System

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## Understand the glide path of your specific fund

Look up the current allocation of the TDF you are considering or currently hold. For Vanguard Target Retirement 2050 (VFIFX), the 2024 approximate allocation is 90% stocks (54% U.S. / 36% international) and 10% bonds. For Fidelity Freedom Index 2050 (FIPFX), approximately 88% stocks and 12% bonds. For Schwab Target Date 2050 (SWYNX), approximately 92% stocks and 8% bonds. Each fund's website publishes the exact current allocation and the historical glide path. Download the glide path chart and place it beside your retirement date estimate. Ask: does this glide path become conservative faster than I would like near retirement? Fidelity Freedom is the most conservative near-retirement allocation among major providers; Schwab is the most aggressive. If you have a pension covering most expenses, you can tolerate the more aggressive glide path. If the TDF is your primary retirement income source, the more conservative glide path provides more protection against a severe market downturn in early retirement.

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## Compare expense ratios across all available TDF options in your plan

In your 401(k) plan, locate the fund menu and sort all options by expense ratio. Look specifically for target date index funds — they almost always have the lowest expense ratios in the TDF category within any given plan. If your plan offers both "Fidelity Freedom 2050" at 0.75% and "Fidelity Freedom Index 2050" at 0.12%, the Index version provides the same glide path at 6x lower cost and is strictly preferable. The 0.63% difference on a \$150,000 balance compounding over 25 years at 7% nominal translates to approximately \$87,000 in additional balance at retirement. This is not a rounding error. If your plan's cheapest TDF charges above 0.20%, document this and raise it with your HR/benefits team — employers have a fiduciary duty to offer cost-effective investment options, and requesting a lower-cost index TDF series is a reasonable and common employee action.

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### **Choose your target year based on planned withdrawal date, not age 65**

The target year should reflect approximately when you plan to begin withdrawing from the account, not a conventional retirement age. If you are 30 and plan to retire at 60, select a 2054 fund even though a default calculator might suggest a 2055 or 2060 fund. If you plan to work until 70, select a 2065 fund. The target year determines the glide path; choosing the right year means choosing the right stock/bond mix at the moment you need the money. Some investors choose a target year 5-10 years later than their planned retirement date to maintain higher equity exposure through early retirement — accepting more sequence-of-returns risk in exchange for more expected growth. This is a legitimate choice but requires understanding the trade-off. For most investors, the target year closest to the planned withdrawal date is the correct default.

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### **Audit your account for TDF plus bond double-counting**

The most common structural error with target date funds is holding a TDF alongside a separate bond fund. The TDF already contains bonds — increasing toward 30-40% bonds in the decade before retirement. Adding a bond index fund (BND, FXNAX) on top creates unintentional over-conservatism. Example: a 40-year-old with 80% in a Vanguard Target Retirement 2045 fund (which holds ~20% bonds internally) and 20% in BND actually holds  $80\% \times 20\% = 16\%$  bonds from TDF plus 20% from BND = 36% bonds total. They are running a much more conservative portfolio than intended, reducing expected long-term returns without a conscious decision. Log into your account, check your current allocation considering TDF internals, and if you are unintentionally over-allocated to bonds or stocks, simplify to a TDF alone or build a three-fund portfolio with explicit targets.

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### **Identify when a TDF is not the right tool**

Target date funds make structural trade-offs that are wrong for certain investors. First, tax location: TDFs hold bonds internally, and bonds generate ordinary income taxed annually in a taxable brokerage account — TDFs belong in tax-advantaged accounts only. A total stock market index fund is the tax-efficient choice for taxable brokerage. Second, factor or ESG investing: TDFs hold a broad market-cap-weighted portfolio. If you want tilts toward small-cap value, international overweighting, dividend income, or ESG screens, you cannot implement them inside a TDF. Third, complex retirement income: investors with pensions, significant Social Security income, real estate rental income, or business assets may need a customized allocation that reflects their full income landscape, not a one-size glide path. These investors benefit from a three-fund or five-fund approach managed with the complete balance sheet in view.

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### **Make TDF plus stock fund combinations explicit and intentional**

Holding a TDF alongside other stock funds — a common pattern when investors add an S&P 500 fund next to their TDF — creates a portfolio more aggressive than the TDF alone without a conscious decision. Example: 70% in Vanguard Target Retirement 2045 and 30% in Vanguard 500 Index Fund. The 2045 fund is already ~85% stocks; adding 30% weight in a pure stock fund pushes total stock allocation to approximately 90%. This is fine if intentional — you effectively chose a more aggressive glide path. But most investors who do this did not intend to override the TDF; they added the stock fund to "diversify" without realizing it was redundant. The clean resolution: either hold only the TDF (simple, automatic, intentional allocation) or abandon the TDF entirely and build a three-fund portfolio with explicit, written target percentages reviewed annually.

### 3. Key Worksheets & Checklists

Use the expense ratio comparison with actual numbers from your specific plan's fund menu — the share class available in your 401(k) may differ from the retail fund advertised online. The glide path table shows the approximate stock/bond split to expect as you approach retirement. The portfolio audit checklist catches TDF double-counting before it silently drags returns for years.

## 1. TDF Expense Ratio Comparison by Fund Family

Fund Family	Series Name	2050 Example Ticker	Expense Ratio	Key Note
Vanguard	Target Retirement	VFIFX	0.08%	Lowest cost major provider; highly liquid Admiral share class
Fidelity	Freedom Index	FIPFX	0.12%	Always choose this over Freedom (active) when both available in your plan
Fidelity	Freedom (active)	FFFHX	0.75%	Avoid — 6x more expensive than Freedom Index for equivalent glide path
Schwab	Target Date Index	SWYNX	0.08%	Slightly more aggressive glide path; same low cost as Vanguard

<b>Fund Family</b>	<b>Series Name</b>	<b>2050 Example Ticker</b>	<b>Expense Ratio</b>	<b>Key Note</b>
T. Rowe Price	Retirement (active)	TRRMX	0.62%	Active; solid historical performance but still expensive vs. any index alternative
BlackRock	LifePath Index	LIPIX	0.07%	Common in large employer plans; comparable to Vanguard on cost and glide path

## 2. Approximate Glide Path: Stock/Bond Allocation Over Time

Years to Target Date	Vanguard Target Ret.	Fidelity Freedom Index	Schwab Target Date Index
35+ years out	~90% stocks / 10% bonds	~90% stocks / 10% bonds	~90% stocks / 10% bonds
20 years out	~85% / 15%	~85% / 15%	~87% / 13%
10 years out	~75% / 25%	~72% / 28%	~78% / 22%
At target date	~50% / 50%	~55% / 45%	~60% / 40%
10 years post-target	~30% / 70%	~24% / 76%	~35% / 65%

Approximate figures based on 2024 fund disclosures. Glide paths are revised periodically — check the current fund prospectus or fact sheet for exact allocations.

### 3. TDF Portfolio Audit Checklist

- List every fund currently held across all 401(k) and IRA accounts — fund name, ticker, and allocation percentage from account portal.
- Identify all target date funds — any fund with a year in the name (2040, 2045, 2050, etc.) is a TDF and holds bonds internally.
- Look up the internal allocation of each TDF from the fund fact sheet or prospectus — note the current stock/bond split percentage.
- Calculate total true bond exposure:  $\text{TDF weight} \times \text{TDF internal bond \%} + \text{any separate bond fund weight}$ . Compare to your intended allocation.
- Calculate total true stock exposure:  $\text{TDF weight} \times \text{TDF internal stock \%} + \text{any separate stock fund weight}$ . Compare to intended allocation.
- If TDF + bond fund creates unintended over-conservatism OR TDF + stock fund creates unintended over-aggression: decide to simplify to TDF alone or build a three-fund portfolio with explicit written targets.
- Compare your current TDF's expense ratio to the cheapest TDF available in your plan — if gap exceeds 0.20%, calculate the 20-year dollar cost and escalate to HR as a fiduciary concern.

### 4. Common Mistakes

### **Paying 0.75% for an active TDF when a 0.08% index version exists**

The Fidelity Freedom and Fidelity Freedom Index families coexist in many 401(k) plans with nearly identical glide paths. Freedom (active) charges 0.75%; Freedom Index charges 0.12%. The 0.63% difference compounded over 30 years on a \$100,000 balance represents approximately \$65,000 in lost wealth. Always check whether an index version of the TDF exists in your plan before defaulting to the first option shown. In large employer plans, the index version is often listed separately and easy to overlook.

### **Holding a TDF in a taxable brokerage account**

TDFs hold bonds internally, and bond interest is taxed annually as ordinary income in taxable accounts. On an \$80,000 TDF with 20% bonds (\$16,000 in bonds) at a 4% bond yield, that is \$640/year in taxable ordinary income — potentially at 22–32% depending on your bracket. The same portfolio held as a stock index fund in taxable and bonds inside an IRA eliminates that annual tax drag entirely. TDFs belong inside tax-advantaged accounts; individual stock index funds are the tax-efficient choice for taxable brokerage.

### **Choosing the target year based on turning 65, not actual planned retirement**

If you plan to retire at 58, a 2045 fund will be transitioning aggressively to bonds 7 years before you need the money — it will be more conservative than appropriate for your timeline. Choose the fund year closest to your actual planned withdrawal date. A 40-year-old planning to retire at 58 in 2042 should use a 2040 or 2045 fund based on glide path analysis, not a 2050 fund based on a conventional age-65 framework.

### **Assuming all 2050 funds are the same**

Fidelity Freedom Index 2050 and Schwab Target Date Index 2050 differ by approximately 5–8 percentage points in stock allocation at the target date (55% vs 60%). Over the final decade, that equity difference on a \$500,000 portfolio generates \$15,000–\$25,000 in additional expected return (with proportionally higher volatility). The "2050 fund" is a category, not a standard. Read the specific glide path before you buy or default to any target date fund.

### Never reviewing the TDF after initially selecting it

TDF allocations shift as the target date approaches. A 2050 fund you selected in 2015 is approximately 15% more conservative in 2024 because 9 years of glide path progression have already shifted the allocation. Your life circumstances also change — a pension, a change in planned retirement age, or a different expected Social Security benefit all affect whether the current fund's glide path is still appropriate. Review your TDF choice every 5 years or after major life changes.

### Shifting TDF target years in response to a market crash

Moving from a 2050 fund to a 2035 fund because of a market decline is selling stocks at depressed prices and buying bonds at relatively higher prices — it amplifies behavioral panic rather than correcting it. If you are genuinely reassessing risk tolerance because retirement is now closer or your circumstances changed, that is a legitimate reason to adjust. But responding to a specific market event by shifting to a more conservative target year is market timing under a different name.

## 5. Next Steps

The highest-impact action from this guide is checking whether an index-based TDF is available in your 401(k) plan and, if your current TDF charges above 0.20%, switching to the cheaper version. That single change on a \$150,000 balance at a 0.60% expense ratio reduction compounds to approximately \$55,000–\$70,000 over 25 years — more than most salary negotiation improvements generate for retirement savings. Once the TDF expense ratio question is resolved, run the portfolio audit checklist to catch any TDF plus bond or TDF plus stock double-counting. For investors who want to understand how their TDF holdings interact with their broader FIRE timeline and retirement date, the [FIRE Calculator](#) models the interaction between current portfolio value, contribution rate, and expected glide path to project a financial independence date. For investors who want more granular control than a TDF provides, the [3-Fund Portfolio Kit](#) shows how to build the same diversification manually with explicit, intentional allocations reviewed and rebalanced on your own schedule.

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