

# Target-Date Funds

One fund for life

More stocks in early years shifting  
to more bonds in later years

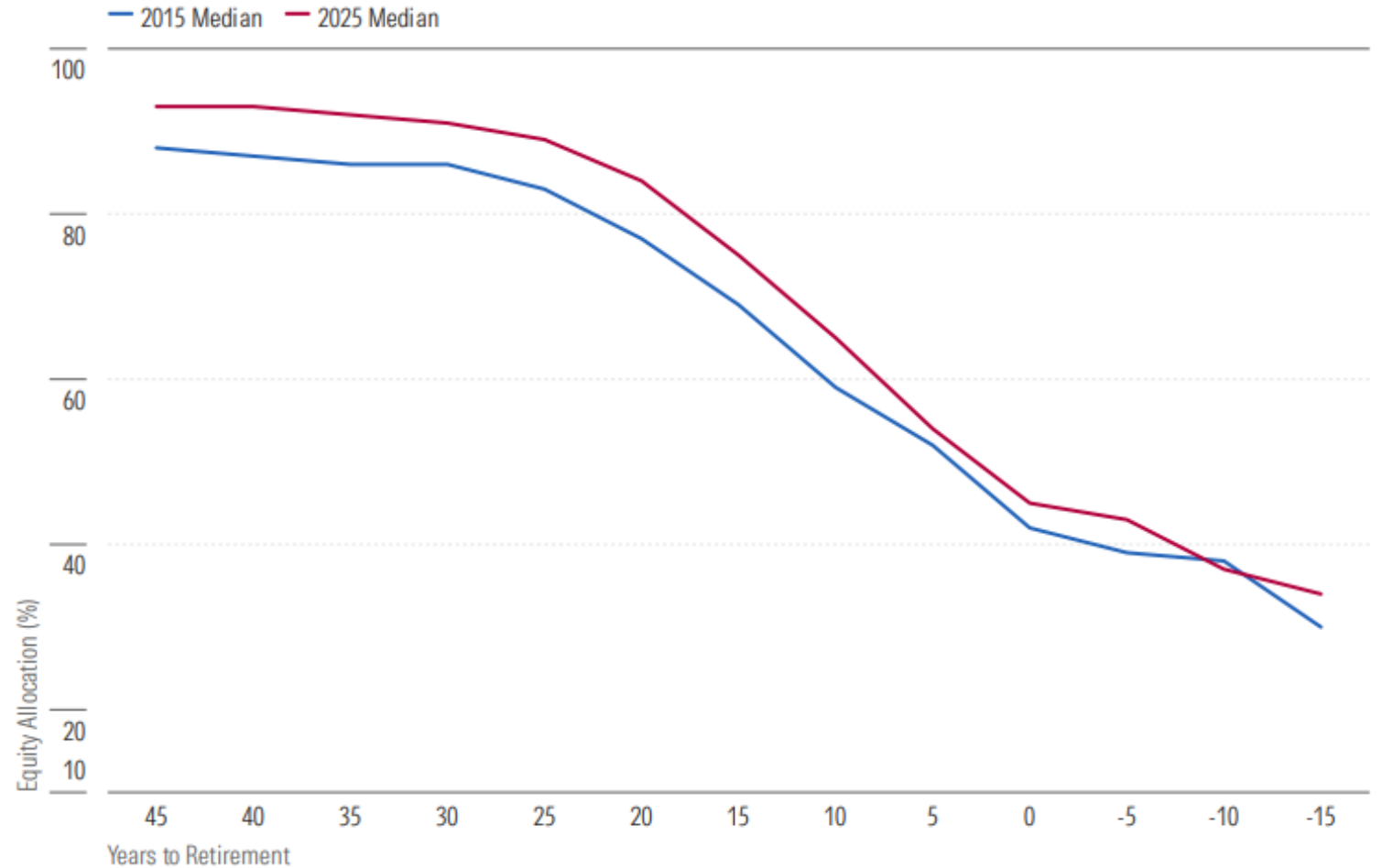
~70% of 401(k) investors use them

Adds 50% to likely retirement  
wealth compared to typical DIY

# Target-Date Fund Glide Paths & Trends

## Glide Paths Hold More Equity Than a Decade Ago

Median Equity Glide Paths, 2015 and 2025



Source: Morningstar "2026 Target-Date Fund Landscape"

Source: The Merriman  
Financial Education  
Foundation,

1970-2025 returns

# Vanguard-Like Target-Date Fund Allocation Backtested Performance

Asset Class / Metric	TARGET DATE FUND YEARS TO RETIREMENT						
	25 +	20	15	10	5	0	-7
CAGR	10.1%	9.8%	9.6%	9.3%	9.0%	8.6%	7.8%
Volatility (SD)	13.1%	12.1%	11.1%	10.1%	9.1%	8.0%	6.0%
Worst Drawdown	-48%	-44%	-40%	-36%	-32%	-25%	-17%
30-Year SWR	3.7%	3.9%	4.1%	4.0%	3.9%	3.8%	3.3%

Target-Date  
Fund  
Weaknesses

One-size fits all

Conservative

No tilt to small, value,  
quality ...

# “Easy” 2- Funds-for-Life Solution

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Put 9 cents of every dollar in the target-date fund and 1 cent in US small-cap value

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Adds ~0.5% to expected TDF returns with very small increase in drawdowns

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Adds ~20% to median expected balance at retirement compared to TDF\*

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Improves 30-year safe withdrawal rate (SWR) at retirement from 3.8% to 4.2%

\* Assumes 40-years of monthly contributions increasing with inflation

Source: The Merriman Financial Education Foundation

# “Easy” 2 Funds for Life 90% TDF | 10% SCV

2FFL Fine-Tuning Table		TARGET DATE FUND YEARS TO RETIREMENT						
Portfolio Mix	Asset Class / Metric	25 +	20	15	10	5	0	-7
0% US SCV, 100% TDF	CAGR	10.1%	9.8%	9.6%	9.3%	9.0%	8.6%	7.8%
	Volatility (SD)	13.1%	12.1%	11.1%	10.1%	9.1%	8.0%	6.0%
	Worst Drawdown	-48%	-44%	-40%	-36%	-32%	-25%	-17%
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10% US SCV, 90% TDF	CAGR	10.5%	10.3%	10.1%	9.8%	9.6%	9.2%	8.5%
	Volatility (SD)	13.4%	12.5%	11.6%	10.7%	9.8%	8.7%	6.8%
	Worst Drawdown	-49%	-46%	-42%	-38%	-35%	-29%	-17%
	30-Year SWR	3.8%	4.0%	4.3%	4.4%	4.3%	4.2%	4.0%
20% US SCV, 80% TDF	CAGR	10.9%	10.7%	10.5%	10.3%	10.1%	9.8%	9.2%
	Volatility (SD)	13.9%	13.1%	12.3%	11.5%	10.7%	9.7%	7.9%
	Worst Drawdown	-50%	-47%	-44%	-41%	-37%	-33%	-22%
	30-Year SWR	3.9%	4.1%	4.4%	4.6%	4.6%	4.6%	4.4%
30% US SCV, 70% TDF	CAGR	11.3%	11.2%	11.0%	10.8%	10.6%	10.4%	9.9%
	Volatility (SD)	14.4%	13.7%	13.0%	12.4%	11.7%	10.8%	9.2%
	Worst Drawdown	-51%	-48%	-46%	-43%	-40%	-36%	-28%
	30-Year SWR	3.9%	4.1%	4.4%	4.6%	4.8%	4.8%	4.8%
40% US SCV, 60% TDF	CAGR	11.7%	11.6%	11.4%	11.3%	11.1%	10.9%	10.5%
	Volatility (SD)	15.1%	14.5%	13.9%	13.4%	12.8%	12.1%	10.6%
	Worst Drawdown	-53%	-50%	-48%	-46%	-44%	-40%	-33%
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	Volatility (SD)	15.9%	15.4%	14.9%	14.4%	14.0%	13.4%	12.2%
	Worst Drawdown	-54%	-52%	-51%	-49%	-47%	-44%	-39%
	30-Year SWR	3.7%	3.9%	4.0%	4.2%	4.3%	4.5%	4.9%
100% US SCV	CAGR: 13.5%   Volatility (SD): 20.6%   Worst Drawdown: -61%   30-Year SWR: 2.5%							

1. Compound Annual Growth Rates (CAGRs), Standard Deviations (SDs), and Drawdowns assume a **fixed allocation** and **lump sum** investment, calculated with **monthly rebalancing**, for Jan. 1970 through Dec. 2025.  
2. 30-Year Safe withdrawal rates calculated from worst starting months from 1928-2025, using monthly returns and **monthly rebalancing**.  
3. Young investors who contribute regularly will likely see lower drawdowns while contributions are large relative to account balance.  
4. Investors who rebalance less frequently will likely see higher returns and higher drawdowns.  
5. Real returns (adjusted for inflation) were about 3.9% less than the nominal returns shown, based on the historical average inflation rate for the 1970-2025 period.  
6. Past performance doesn't guarantee future returns. Drawdowns from 1928-1970 were worse by an additional 10% to more than 30%.

# “Moderate” 2- Funds-for-Life Solution

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Multiply years to retirement by 1.5%, put that into US SCV, and the rest into TDF

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Adds ~1.5% to expected TDF returns with ~8% increase in worst drawdowns early on

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Adds ~28% to median expected balance at retirement compared to TDF\*

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Same safe-withdrawal rates in retirement

\* Assumes 40-years of monthly contributions increasing with inflation

Source: The Merriman Financial Education Foundation

# “Moderate” 2FFL 1.5 x Years-to-Retirement in SCV

2FFL Fine-Tuning Table		TARGET DATE FUND YEARS TO RETIREMENT						
Portfolio Mix	Asset Class / Metric	25 +	20	15	10	5	0	-7
0% US SCV, 100% TDF	CAGR	10.1%	9.8%	9.6%	9.3%	9.0%	8.6%	7.8%
	Volatility (SD)	13.1%	12.1%	11.1%	10.1%	9.1%	8.0%	6.0%
	Worst Drawdown	-48%	-44%	-40%	-36%	-32%	-25%	-17%
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10% US SCV, 90% TDF	CAGR	10.5%	10.3%	10.1%	9.8%	9.6%	9.2%	8.5%
	Volatility (SD)	13.4%	12.5%	11.6%	10.7%	9.8%	8.7%	6.8%
	Worst Drawdown	-49%	-46%	-42%	-38%	-35%	-29%	-17%
	30-Year SWR	3.8%	4.0%	4.3%	4.4%	4.3%	4.2%	4.0%
20% US SCV, 80% TDF	CAGR	10.9%	10.7%	10.5%	10.3%	10.1%	9.8%	9.2%
	Volatility (SD)	13.9%	13.1%	12.3%	11.5%	10.7%	9.7%	7.9%
	Worst Drawdown	-50%	-47%	-44%	-41%	-37%	-33%	-22%
	30-Year SWR	3.9%	4.1%	4.4%	4.6%	4.6%	4.6%	4.4%
30% US SCV, 70% TDF	CAGR	11.3%	11.2%	11.0%	10.8%	10.6%	10.4%	9.9%
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40% US SCV, 60% TDF	CAGR	11.7%	11.6%	11.4%	11.3%	11.1%	10.9%	10.5%
	Volatility (SD)	15.1%	14.5%	13.9%	13.4%	12.8%	12.1%	10.6%
	Worst Drawdown	-53%	-50%	-48%	-46%	-44%	-40%	-33%
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	Volatility (SD)	15.9%	15.4%	14.9%	14.4%	14.0%	13.4%	12.2%
	Worst Drawdown	-54%	-52%	-51%	-49%	-47%	-44%	-39%
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100% US SCV	CAGR: 13.5%   Volatility (SD): 20.6%   Worst Drawdown: -61%   30-Year SWR: 2.5%							

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# “Aggressive” 2-Funds-for- Life Solution

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Ramp SCV like “moderate” approach,  
then add 10% to 20% US SCV

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Adds ~0.5%-2% to expected TDF returns  
with ~6%-15% higher worst drawdowns

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Adds ~40%-85% to median expected  
balance at retirement compared to TDF\*

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Improves 30-year SWR at retirement from  
3.8% (TDF) to 4.2%-4.6%

\* Assumes 40-years of monthly contributions increasing with inflation

Source: The Merriman Financial Education Foundation

# “Aggressive” 2FFL Increases SCV at all ages

2FFL Fine-Tuning Table		TARGET DATE FUND YEARS TO RETIREMENT						
Portfolio Mix	Asset Class / Metric	25 +	20	15	10	5	0	-7
0% US SCV, 100% TDF	CAGR	10.1%	9.8%	9.6%	9.3%	9.0%	8.6%	7.8%
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	Volatility (SD)	15.9%	15.4%	14.9%	14.4%	14.0%	13.4%	12.2%
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## 2 Funds for Life Risk, Reward & Resilience

	Risk (Worst Drawdown)	Reward (CAGR)	Resilience (SWR @ Retirement)
Target-Date Fund	-48%	7.8% to 10.1%	3.8%
“Easy” 90 10 TDF US-SCV	-49%	8.5% to 10.5%	4.2%
“Moderate” (1.5 x YTR)% in US SCV, rest in TDF	-53%	7.8% to 11.6%	3.8%
“Aggressive” (1.5 x YTR +10)% In US SCV, rest in TDF	-54%	8.5% to 11.9%	4.2%

# Customizable Glide Path Tool

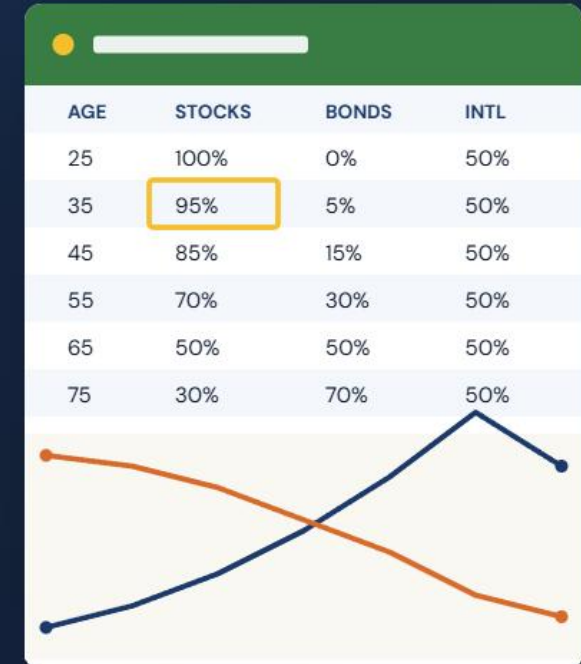
<https://www.paulmerriman.com/custom-merriman-target-date-allocation-calculator>

— INTERACTIVE CALCULATOR

## Merriman Aggressive Target Date Glidepath

See the detailed asset allocations of the Merriman Aggressive Target Date glidepath — or customize it with your own target date and US/International mix.

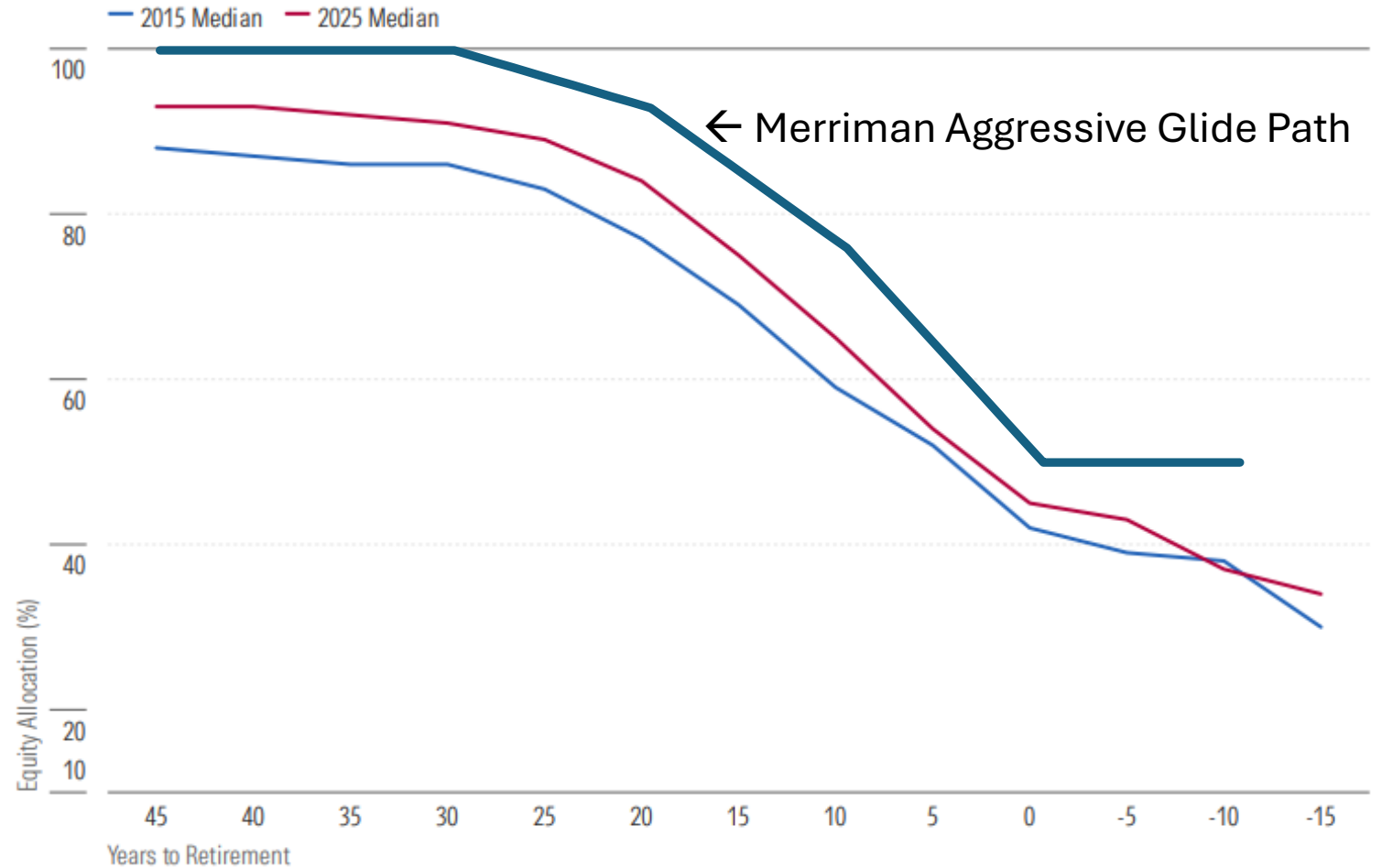
OPEN GOOGLE SHEET ↗



# Glide Paths Trending Towards Ours

## Glide Paths Hold More Equity Than a Decade Ago

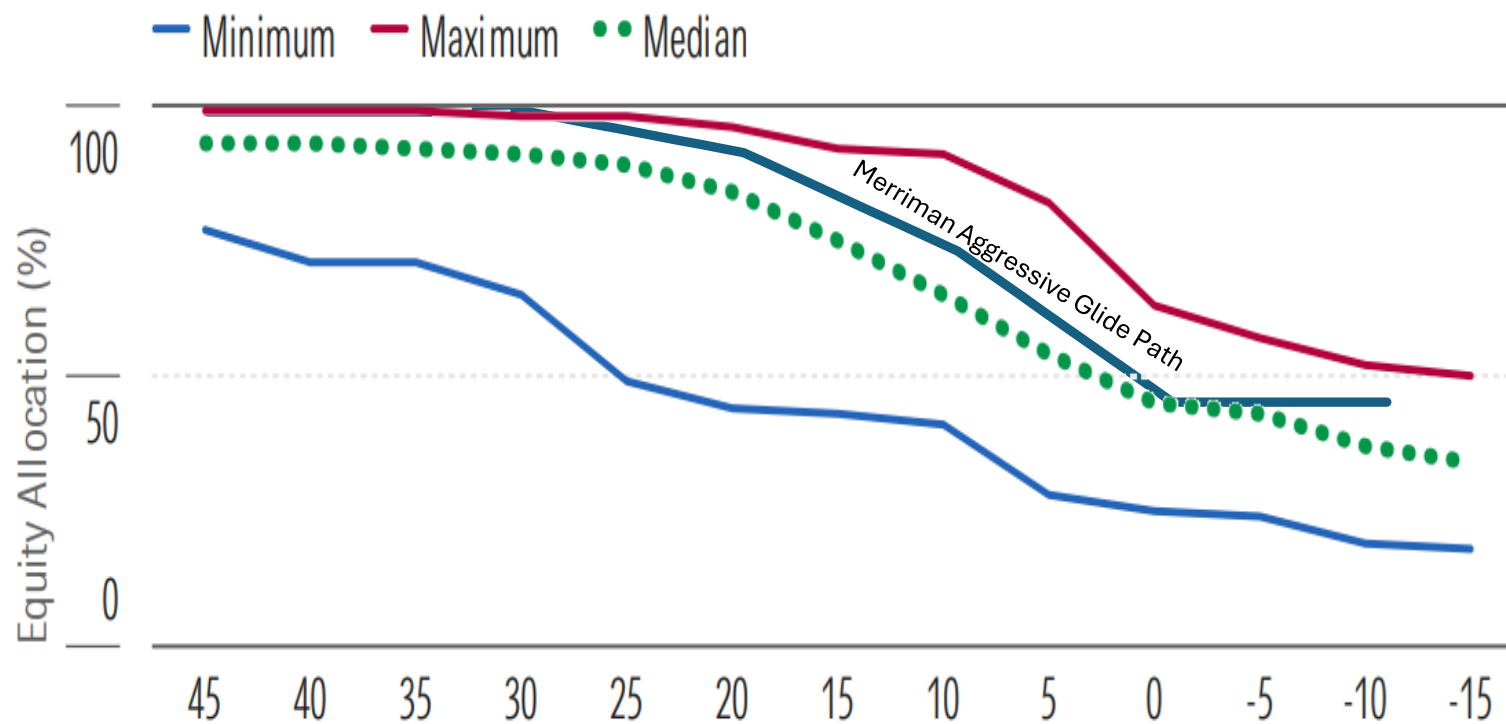
Median Equity Glide Paths, 2015 and 2025



Sources: Morningstar “2026 Target-Date Fund Landscape” & Merriman Aggressive Target-Date Glide Path

# Glide Path Trends

## Minimum, Maximum, and Median Glide Path – 2025



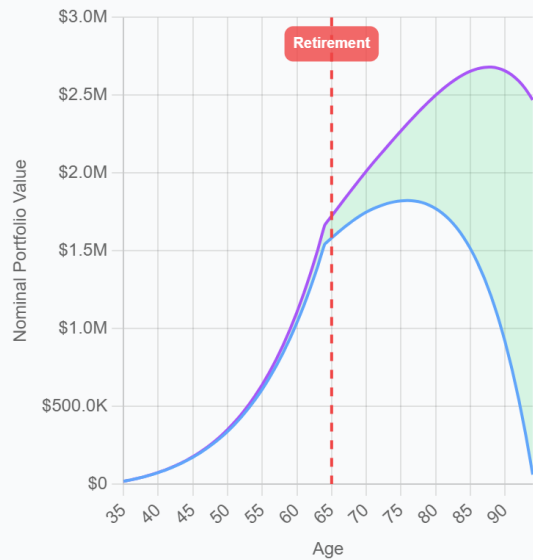
Sources: Morningstar “2026 Target-Date Fund Landscape” & Merriman Aggressive Target-Date Glide Path

## 2 Funds for Life (2FFL) Calculator

Fixed US SCV Allocation (%) **10% US SCV / 90% TDF**

Output in Today's \$'s

### Expected Growth & Decumulation



#### TDF Strategy

End Value: **\$60.6K**

SWR: **3.3% - 3.8%**

Survival Rate: **40%**

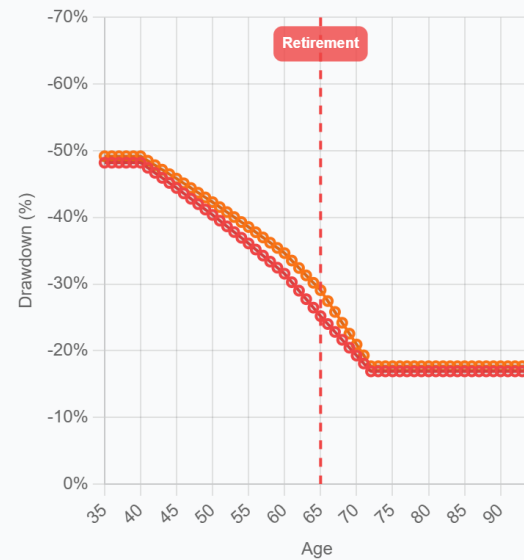
#### 2FFL Strategy

End Value: **\$2.5M**

SWR: **4.0% - 4.2%**

Survival Rate: **51%**

### Worst Balance Declines 1970-2025



#### TDF Strategy

Max Drawdown: **-48%**

Best WD/yr: **\$85.1k**

Worst WD/yr: **\$0**

#### 2FFL Strategy

Max Drawdown: **-49%**

Best WD/yr: **\$85.1k**

Worst WD/yr: **\$0**

# Explore and Learn

- TDF|SCV Percentages and Ramps
- Savings rates
- Withdrawal rates
- Timelines
- Rebalancing Strategies
- Drawdown risks over time
- Safe Withdrawal Rates
- Survival Rates

# To learn more about 2 Funds for Life

- **Sign up** for the free newsletter at [paulmerriman.com](http://paulmerriman.com) to get a download link for ***We're Talking Millions*** and ***2 Funds for Life***



# Reference Links

- Wharton “Target Date Funds & Portfolio Choice in 401(k) Plans
  - [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3535910](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3535910)
- Morningstar [“2026 Target-Date Fund Landscape”](#)
- Merriman 2 Funds for Life Fine Tuning Table
- Merriman Aggressive Target-Date Glide Path
- Merriman 2 Funds for Life Calculator