MEMORANDUM

December 13, 2012

TO: File No. S7-12-10

FROM: J. Matthew DeLesDernier
Division of Investment Management

RE: Investment Company Advertising: Target Date Retirement Fund Names and Marketing – Release No. IC-29301

On October 24, 2012, Diane Blizzard, Associate Director, C. Hunter Jones, Assistant Director, Mark Uyeda, Senior Special Counsel, Michael Pawluk, Branch Chief, J. Matthew DeLesDernier, Senior Counsel, and Aidan O'Connor, Attorney-Advisor, of the Division of Investment Management and Jeremy Ko, Senior Economist, of the Division of Risk, Strategy, and Financial Innovation met with Howard Heller, Danielle Nicholson-Smith, and Margaret Raymond of T. Rowe Price; Tara Buckley, Kristen Federico, and Dennis Simmons of Vanguard; and Karrie McMillan, Dorothy Donohue, David Abbey, and Anna Driggs of the Investment Company Institute.

The purpose of the meeting was to discuss certain issues raised in these entities' comment letters regarding the above-referenced proposal. Materials provided by the participants are attached to this memorandum.

Attachments

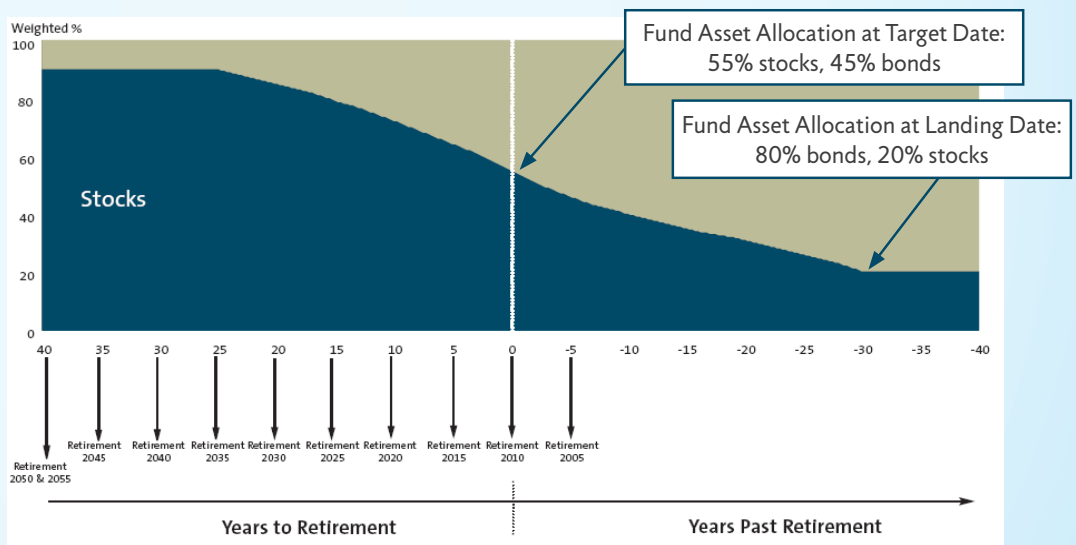
Re-evaluating your investment choices?

Now's a good time to consider the disciplined, experienced approach of T. Rowe Price.

In today's environment, it's more important than ever to choose a firm with the expertise to maximize your IRA investment. With T. Rowe Price, you can be confident that your retirement savings is being managed by experienced fund managers who have navigated markets both good and bad.

We offer a range of low-cost mutual funds for all your retirement investing needs, with no loads, sales charges or commissions. So your retirement savings can go even further. Choose from a range of funds with solid performance, including Balanced Fund, Capital Appreciation Fund, Mid-Cap Growth Fund, New America Growth Fund, New Income Fund or choose one of our Retirement Funds, which are well-diversified, professionally managed retirement portfolios managed to a specific retirement date. All mutual funds are subject to market risk, including possible loss of principal.

As the illustration on the right shows, when you invest in a Retirement Fund, we adjust the investment mix for you. Each Retirement Fund reaches its most conservative allocation 30 years after its target retirement date, at which time the investment mix is intended to become fixed at 20% stocks and 80% bonds.



Call our Investment Guidance Specialists today and put one of our no-load funds to work for your 401(k) rollover, IRA, or other retirement savings.

troweprice.com/start | 1.800.401.4153

Call 1-800-401-4153 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility. When deciding whether to invest in a Retirement Fund, you should consider your investment risk tolerance, personal circumstances, and complete financial situation in addition to your age or retirement date.

Diversification cannot assure a profit or protect against loss in a declining market.

T. Rowe Price Investment Services, Inc., Distributor.

MRET077522

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Balanced Fund
Capital Appreciation Fund
Mid-Cap Growth Fund
New America Growth Fund
New Income Fund
or choose one of our Retirement Funds, which are well-diversified, professionally managed retirement portfolios managed to a specific retirement date. All mutual funds are subject to market risk, including possible loss of principal.

Call our Investment Guidance Specialists today and put one of our no-load funds to work for your 401(k) rollover, IRA, or other retirement savings.

Here are some of the Retirement Funds you may want to consider:

Retirement 2010 Fund
Retirement 2015 Fund
Retirement 2020 Fund
Retirement 2025 Fund
Retirement 2030 Fund
Retirement 2035 Fund
Retirement 2040 Fund
Retirement 2045 Fund

troweprice.com/start | 1.800.401.4153

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NO MATTER HOW MUCH THE MARKET CHANGES...

...consider the investment expertise of T. Rowe Price.

Our disciplined, long-term investment approach has proven successful in a variety of market conditions. In fact, for each 3-, 5-, and 10-year period ended 9/30/12, over 75% of our mutual funds beat their Lipper average.† Put the expertise of T. Rowe Price to work for you.

Results will vary for other periods. *Past performance cannot guarantee future results*. All funds are subject to market risk, including possible loss of principal.

The right no-load investment options

Whether you're interested in preserving capital, pursuing growth opportunities, or finding a balance of both, we offer a range of investment options:

- Money market funds* and CDs** to meet your short-term goals
- Retirement Funds that are a simple way to allocate your assets into a diversified mix of T. Rowe Price funds
- Over 90 actively managed, low-cost funds

The right help

Our Investment Guidance Specialists provide free phone consultations:

1. We'll assess your current investment situation.
2. We'll talk you through your investment options and help you understand the risks of each.
3. We'll suggest appropriate funds for your goals, without charging commissions or sales charges.

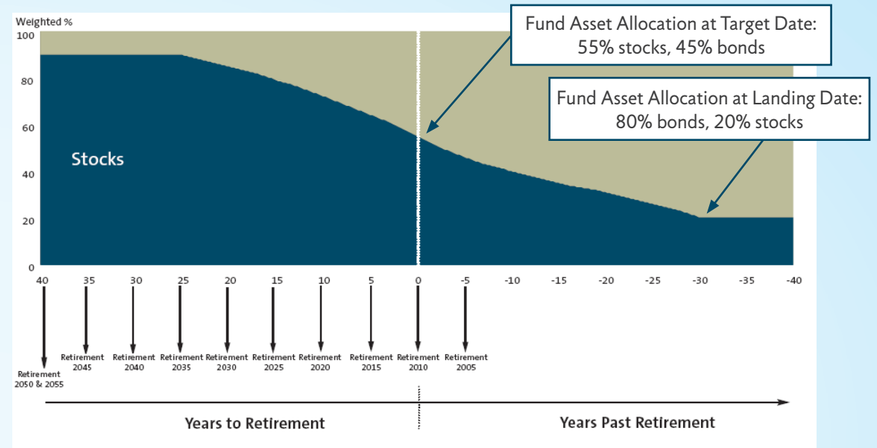
The right company

T. Rowe Price was founded in 1937 on the belief that we should always act in the best interests of our clients. Today, that commitment still extends to everything we do.

We base our investment decisions on our own hands-on research, seeking to maximize returns without taking on unnecessary risks. We have over 140 analysts around the world, our own economists, and our fund managers average 14 years' experience at T. Rowe Price.

Now's the time to consider a firm whose thoughtful, in-depth approach to investment management has helped individuals reach their goals for over 70 years.

As the illustration below shows, when you invest in a Retirement Fund, we adjust the investment mix for you. Each Retirement Fund reaches its most conservative allocation 30 years after its target retirement date, at which time the investment mix is intended to become fixed at 20% stocks and 80% bonds.



The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility. When deciding whether to invest in a Retirement Fund, you should consider your investment risk tolerance, personal circumstances, and complete financial situation in addition to your age or retirement date.

Call our Investment Guidance Specialists or visit our Web site today.

troweprice.com/expertise | 1.800.541.5195

401(k) ROLLOVERS • IRAS • MONEY MARKET FUNDS • BOND FUNDS • STOCK FUNDS

Request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

†Based on cumulative total return, 139 of 181, 130 of 170, 130 of 158, and 84 of 109 funds (including all share classes and excluding funds used in insurance products) outperformed their Lipper average for the 1-, 3-, 5-, and 10-year periods ended 9/30/12, respectively. Not all funds outperformed for all periods. (Source for data: Lipper Inc.)

**Unlike CDs or other bank products, an investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although it seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in a money market fund.*

**T. Rowe Price Savings Bank is a member of the FDIC and offers CD products. Other T. Rowe Price affiliates, including T. Rowe Price Investment Services, Inc., are separate entities. While the Savings Bank's CDs are FDIC-insured, all other products offered by T. Rowe Price affiliates are not FDIC-insured and are not deposits of or guaranteed by the Savings Bank. Such products are subject to investment risk, including possible loss of the principal amount invested.

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2015 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

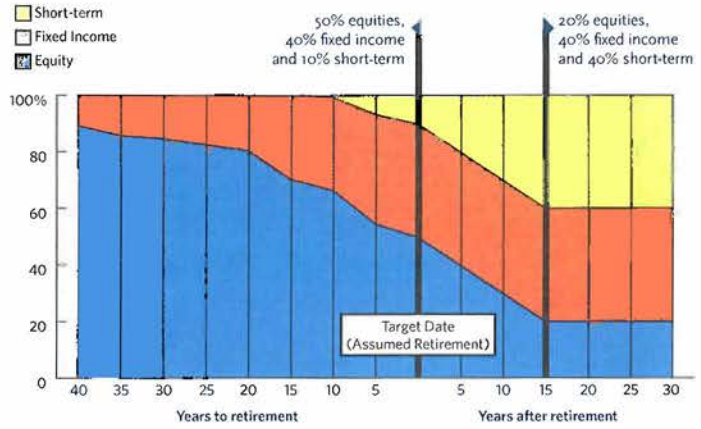
At the target date of 2015, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2015" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the investor's account in the fund *gradually* after retirement.

Who may want to invest:

Principle 2 and 3. An investor who anticipates retiring at or about 2015 and withdrawing the value of the investor's account in the fund *gradually* after retirement.

Principle 4 illustration.



Principle 4 narrative. At the target date of 2015, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term. The asset mix will progressively reduce equity exposure and become more conservative until 2030, when it will become fixed at 20 percent equities, 40 percent fixed income and 40 percent short-term. [A fund manager may adjust the asset allocation over the established glide path within [specified] limits]

Fund information:

Inception date
Total net assets
Expense ratio
Fund manager

Performance:

Performance graphs not included

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by calling ____.

Risks:

The fund is subject to several stock and bond market risks, any of which could cause an investor to lose money. However, based on the fund's current allocation between stocks and the less volatile asset class of bonds, the fund's overall level of risk should be higher than those funds that invest the majority of the assets in bonds, but lower than those investing entirely in stocks. As the fund's allocation between underlying funds gradually changes, the fund's overall level of risk also will decline. In addition to the risk inherent in the asset classes of the underlying funds, the fund also is subject to asset allocation risk, which is the chance that the selection of underlying funds and the allocation of fund assets will cause the fund to underperform other funds with a similar investment objective. For further details on all risks, please refer to the fund's prospectus. **Principle 5.** An investment in this fund is not guaranteed, and you may experience losses, including near, at, or after the target date. There is no guarantee that the fund will provide adequate income at and through your retirement.

You should consider the investment objectives, risks, charges and expenses of the fund carefully before investing. For a free copy of the fund's prospectus, which contains this and other information, visit the fund's website at _____ or call your financial adviser or the fund at _____. Read the prospectus carefuly before investing. You can obtain additional information about the fund, including its glide path design, on web sites of a [fund, adviser, other affiliate or recordkeeper] at _____ or by calling _____. This information also may be available through your plan sponsor.

2015 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

At the target date of 2015, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2015" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the

2020 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

At the target date of 2020, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2020" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the

2025 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

At the target date of 2025, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2025" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the

2030 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

At the target date of 2030, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2030" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the

2035 Retirement Fund

Mock-up Fund Fact Sheet Illustrating ICI Principles + Tagline

At the target date of 2035, the asset mix in this fund is anticipated to be 50 percent equities, 40 percent fixed income and 10 percent short-term.

The fund invests in a diversified portfolio of stocks and bonds that is rebalanced to maintain its asset allocation and progressively becomes more conservative over time. **Principle 1.** "2035" in the fund name refers to the approximate year an investor in the fund would plan to retire and likely would stop making new investments in the fund. **Principle 2.** The fund is designed for an investor who plans to withdraw the value of the

ICI Ad Mock up = Ad with SEC Proposed Requirements + ICI Comments

SEC Proposed Requirements

ICI proposed additions & questions

100% OF ABC Retirement Funds BEAT THEIR 5-YEAR LIPPER AVERAGE.

(For the period ended 6/30/11*)

Tagline trigger?

Choose the fund closest to the year you turn 65

Move your retirement savings to the company that understands the connections of a complex, global economy.

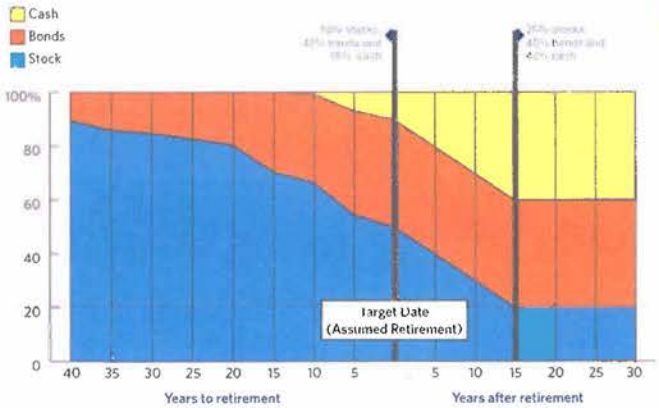
In today's environment, it's more important than ever to have a well-diversified, professionally managed retirement portfolio. With ABC Retirement Funds, our managers adjust the funds' investment mix to their target dates, and for 15 years after, to help manage your assets throughout retirement. While we actively manage our Retirement Funds, we keep costs low, with no loads and no added fees to manage the mix of funds.

The ABC Retirement Funds invest in a carefully selected mix of ABC mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. Results will vary for other periods. *Past performance cannot guarantee future results*. Fund returns have been affected by market volatility and are negative for certain periods.

When deciding whether to invest in an ABC Retirement Fund, you should consider your investment risk tolerance, personal circumstances, and complete financial situation in addition to your age or retirement date.

As the illustration below shows, when you invest in an ABC Retirement Fund, ABC adjusts the investment mix for you. At the target date, the asset mix is intended to be approximately 50% stocks, 40% bonds, and 10% cash. Each ABC Retirement Fund reaches its most conservative allocation about fifteen years after its target date, at which time the investment mix is intended to become fixed at 20% stocks, 40% bonds, and 40% cash. ABC may modify at any time the intended stock and bond percentages shown below.

ICI glide path narrative, same as SEC tagline.



Put our thinking to work for you.

abcfunds.com/target | 1.800.123.3456

Request a prospectus or summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

The ABC Retirement Funds are not guaranteed at any time, including at or after the target date (when investors turn 65). The Funds' investment strategies change over time from growth to a balance of growth and income, and finally to more of a focus on income and principal stability during retirement. The Funds' substantial allocation to equities both prior to and after the target date can result in greater volatility. Diversification cannot assure a profit or protect against loss in a declining market.

*Based on cumulative total return, 11 of 12 (92%), 12 of 12, 10 of 10, and 12 of 12 of the Retirement Funds for individual investors outperformed their Lipper average for the 1-, 3-, and 5-year, and since-inception periods ended 6/30/11, respectively. The Retirement 2010, 2020, 2030, 2040, and Income Funds began operations on 10/1/02; the 2005, 2015, 2025, and 2035 Funds began operations on 2/26/04; the 2045 Fund began operations on 6/1/05; and the 2050 and 2055 Funds began operations on 12/31/06 (and thus do not have a 5-year performance history). (Source for data: Lipper Inc.)

Tagline trigger?

ICI Ad Mock up = Existing TDF Ad with FINRA required TDF language

FINRA Required TDF Language

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(For the period ended 6/30/11*)

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Flip the switch.™

ABC Company 401(k) Plan Guide

Retire with confidence®

A guide to your retirement plan

T.RowePrice
INVEST WITH CONFIDENCE

THERE IS NO BETTER TIME TO THINK ABOUT YOUR FUTURE.

CONGRATULATIONS! YOU ARE NOW ELIGIBLE TO PARTICIPATE IN THE ABC COMPANY 401(K) PLAN

ABC Company understands how important it is for associates to prepare for a more financially secure future and invites you to take an important step toward reaching that goal. When you contribute to the plan, you help make it possible to have the income you'll need to enjoy your retirement. This guide includes important information about your plan. Please take the time to review it carefully.

NEXT STEPS

- **Enroll today** — decide how much you want to contribute, review your investment options, select a mix that is right for you, and then follow the instructions in the back of this guide to enroll in the plan.
- **Name a beneficiary** — visit the website at **rps.troweprice.com** or contact T. Rowe Price at **1-800-922-9945** for information on how to name your beneficiary.
- **Supply an e-mail address** — visit the website at **rps.troweprice.com** to provide a valid e-mail address so that you can receive timely and helpful information regarding your plan.

Contents

Participating in the plan 1
About investing 3
Investing your contributions 4
Take action 9
Account access 9

Retirement savings tips

Why save for retirement?

Many people underestimate the amount of income they will need to maintain their standard of living in retirement. With Americans living longer, your retirement could last to age 95 or beyond. Plus, inflation has averaged over 3% annually for the last 80 years. The price of everything is likely to keep rising in the future.

How much should you save?

Financial experts recommend contributing at least 15% of your pay (including any contributions your employer may make to your retirement plan account) each year that you work. If that sounds like a lot now, start as high as you can and work your way up by increasing your contributions by 1% or 2% each year.

How much will you need for retirement?

Most people will need 75% of their preretirement income to maintain their lifestyle in retirement: 50% will most likely be replaced by savings, 20% by Social Security, and the remaining 5% from other sources. You can calculate your potential monthly retirement income with the Retirement Income Estimator on the website at **rps.troweprice.com**. Or you can view your account statement, which provides an update of your retirement income estimate each quarter.

Participating in the plan

Contributing to your employer-sponsored retirement plan is one of the smartest and easiest things you can do to help prepare for a more financially secure future.

Employee contributions

Your plan allows you to contribute up to 60% of your pay each year on a before-tax basis, subject to IRS limits. That means contributions to the plan are made before income taxes are taken out of your paycheck. When you withdraw from your account, your contributions and any earnings are subject to taxes.

Your plan also offers other ways to contribute:

Roth contributions — may be made with money that has already been taxed. However, if you take a qualified distribution, you will not have to pay taxes on the money you've contributed or on any earnings in your Roth account.* You may contribute up to 40% of your pay each year in Roth contributions.

Catch-up contributions — may be made to help you "catch up" on retirement saving if you will be age 50 or older as of the end of the year and you have already contributed the maximum amount allowed by the plan. The IRS catch-up contribution limit may vary each year.

Your before-tax and Roth contributions may not total more than 100% of your pay.

* A qualified distribution is tax-free if taken at least five years after the year of your first Roth contribution AND you've reached age 59½, become totally disabled, or died. If your distribution is not qualified, any withdrawal from your account will be partially taxed. These rules apply to Roth distributions only from employer-sponsored retirement plans. Additional plan distribution rules may apply.

Mandatory FICA and FUTA deductions will be taken before salary deductions.

Rollover contributions

You may consolidate your retirement savings by "rolling over" vested balances from other employers' eligible plans.

For more information, contact T. Rowe Price at **1-800-922-9945**.

Employer contributions

After one year of service, you can receive additional money toward your retirement when you make before-tax contributions to the plan. For every 1.00 you contribute up to 5% of your salary, your employer will add to your account. If you are not saving the maximum amount that is matched by your employer, you are essentially missing out on additional money for your future.

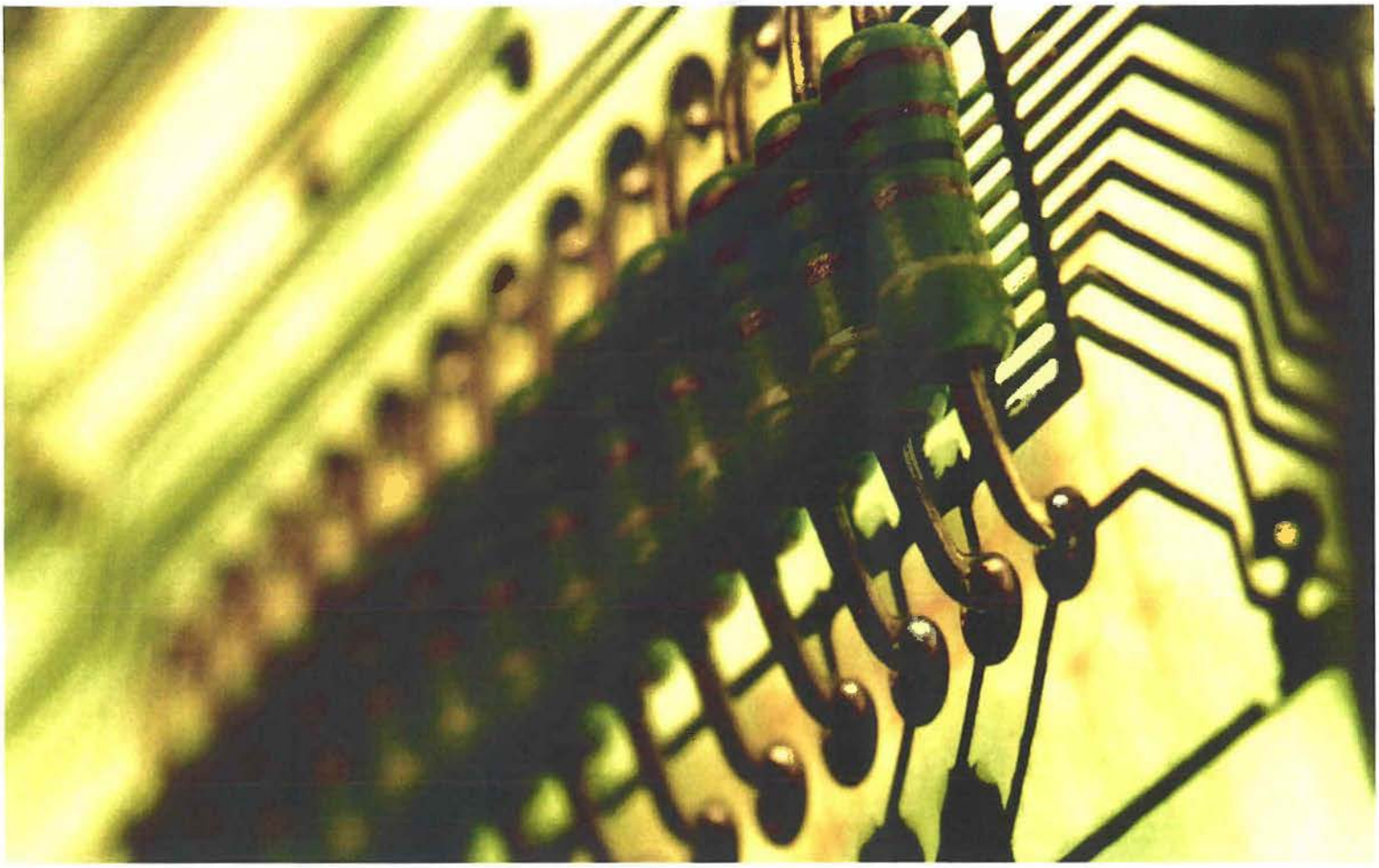
Note: Employer contributions are made to the before-tax portion of your account and are still considered taxable by the IRS upon distribution.

Other employer contributions.
To help you save even more for the future, your plan offers an additional employer contribution.

For more information about these contributions, visit the website at **rps.troweprice.com** or refer to your summary plan description.

Vesting

Vesting refers to the portion of your account that you may take with you when you leave the company. You are always 100% vested in the part of your account balance that comes from your own contributions, including rollovers. Your employer contributions account will become vested over time. Your employer safe harbor contributions account will become vested after 1000 hours of service. Visit the website at **rps.troweprice.com** or refer to your summary plan description for additional details about your vesting schedule.



About investing

Learning the basics about the different types of investments can take you a long way. Most investments fall into three categories:

Stock investments—invest primarily in stocks, which are actual shares of company ownership. The value of shares can grow, and the companies may also pay dividends to stockholders. Potential return and risk are highest.

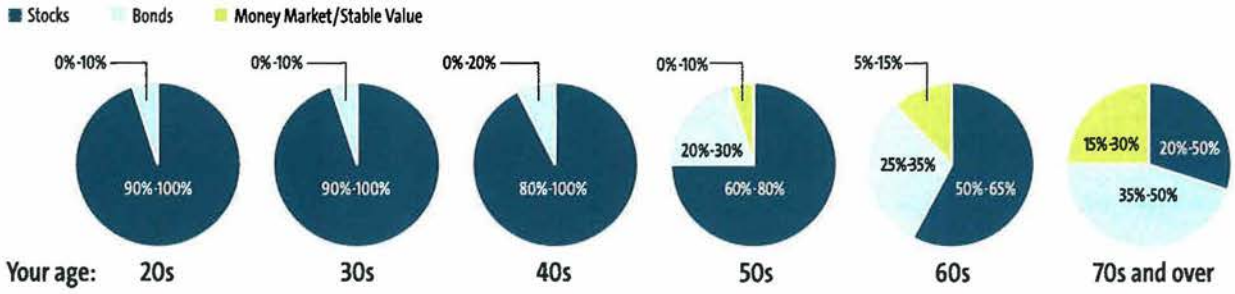
Bond investments—invest primarily in bonds, which are loans to companies or governments that pay a set amount of interest over a period of time. Bond income may help reduce risk, but provides only moderate growth potential.

Money market/stable value investments—invest in money market instruments, certificates of deposit, U.S. Treasury bills, and guaranteed investment contracts. These are considered stable investments, with less risk of losing the money you invest. They do, however, have relatively low return potential.

Use age as your guide

It is important to spread your savings among different categories of investments: stocks, bonds, and money market/stable value. The length of time you plan to invest your savings should determine how much money you allocate to each type of investment. As you grow older, your portfolio should move gradually from more aggressive (more stocks) to more conservative (fewer stocks).

To find an investment mix for your time horizon, consider the following age-based asset allocations.



The allocation pie charts above are age-based only and do not account for your personal circumstances.

Diversify your stock allocation among different types of stocks

A typical mixture could include 60% large-cap (established companies), 20% mid-cap/small-cap (small to medium-sized companies), and 20% international (companies outside the U.S.) stocks. Diversification cannot assure a profit or protect against a loss in a declining market.

Investing your contributions

Understanding that participants have different levels of experience and comfort with investing, the ABC Company 401(k) Plan offers you two ways to invest.

1. **PRE-ASSEMBLED:** This approach may be appropriate for you if you don't have the time, interest, or experience to create and manage your own portfolio. Select one T. Rowe Price Retirement Fund for a professionally managed, diversified portfolio.

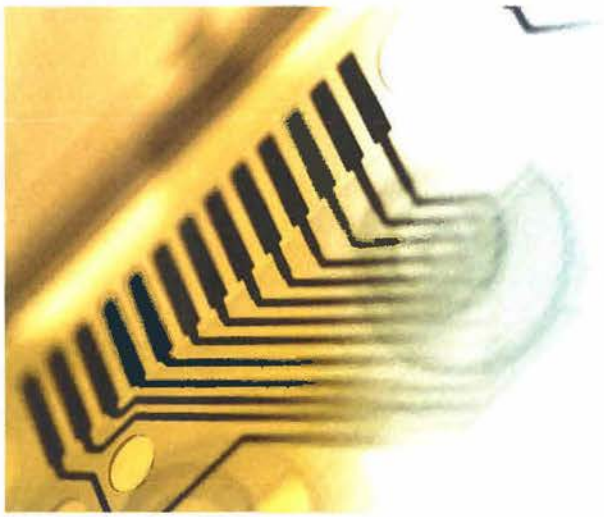
2. **DO-IT-YOURSELF:** This approach may be appropriate for you if you prefer to have more control over choosing and monitoring your investment strategy. Choose among your plan's other investment options to create your own portfolio.

PRE-ASSEMBLED: T. Rowe Price Retirement Funds offer a simple investing solution

The T. Rowe Price Retirement Funds are professionally managed and offer an age-appropriate asset allocation that's rebalanced all the way up to and through retirement. Each Retirement Fund is made up of several T. Rowe Price mutual funds. This means you get a broad mix of different investments – stocks and bonds – with one simple choice. Also, each Retirement Fund includes a broad mix of large and small companies, domestic and foreign, as well as a range of bonds and short-term investments.

IF YOU WERE BORN...	THIS RETIREMENT FUND MAY BE RIGHT FOR YOU...
In 1988 or after	Retirement 2055
Between 1983 and 1987	Retirement 2050
Between 1978 and 1982	Retirement 2045
Between 1973 and 1977	Retirement 2040
Between 1968 and 1972	Retirement 2035
Between 1963 and 1967	Retirement 2030
Between 1958 and 1962	Retirement 2025
Between 1953 and 1957	Retirement 2020
Between 1948 and 1952	Retirement 2015
Between 1943 and 1947	Retirement 2010
Between 1938 and 1942	Retirement 2005
In 1937 or before	Retirement Income

The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility.



More about the DO-IT-YOURSELF investments

You also have the option to create and manage your own diversified portfolio by choosing among your plan's do-it-yourself options:

Stocks	
T. Rowe Price Blue Chip Growth	T. Rowe Price Media & Telecom
T. Rowe Price Equity Index 500	T. Rowe Price Overseas Fund
T. Rowe Price International Stock	T. Rowe Price Science & Technology
Bonds	
T. Rowe Price Bond Index Trust	
T. Rowe Price New Income	
Stable Value / Money Market	
T. Rowe Price Stable Value	
T. Rowe Price U.S. Treasury Money	

For more information about the investments offered through your plan, refer to the enclosed performance page or visit the website at **rps.troweprice.com** to access the fund descriptions and fact sheets.

*Call **1-800-922-9945** to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.*

Access additional options through Tradelink®

Your plan also offers TradeLink, a brokerage service that gives you access to hundreds of investment options beyond those available through your plan's core investment options.

For more information about this service, including fees and risks, visit the website at **rps.troweprice.com**. You can also request a TradeLink kit by calling **1-800-922-9945.**

Brokerage services offered by T. Rowe Price Investment Services, Inc., member FINRA/SIPC.

Redemption fees

Redemption fees are designed to deter short-term trading behavior and protect the funds and their long-term investors. By penalizing short-term trading activity, redemption fees encourage plan participants to pursue long-term investment strategies. These fees are paid to the mutual fund to help offset any costs created by short-term traders. For more information about the investments in your plan that have redemption fees, visit the website at **rps.troweprice.com**.

Excessive trading

Excessive or short-term trading occurs when a participant places frequent trades into and out of an investment, often holding shares for a very short period of time. This practice can drive up the investment's administrative costs and negatively impact the fund manager's strategy. As a result, many funds responded with additional monitoring and the implementation of short-term trading fees. A potential consequence of excessive trading for you may be the suspension of your trading privileges and possible redemption fees.

Review the Performance History of the Investment Options in the ABC Company 401(k) Plan

This page shows the rate of return over various time periods for each of the investment options in your plan. Return is the amount an investment gains or loses over a specified time period—either through dividends or through changes in share price. As you see, different investments have different rates of return. Generally, it is a good retirement investing strategy to review an investment's returns over long time periods because retirement investing is likely to be a long-term activity for you. **Call 1-800-922-9945 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. Current performance may be lower or higher than the quoted past performance, which cannot guarantee future results. Share price, principal value, and return will vary, and you may have a gain or loss when you sell your shares. The performance information shown does not reflect the deduction of redemption fees. If fees were deducted, performance would be lower. For the most recent month-end performance information, please visit our website at rps.troweprice.com or call 1-800-922-9945. The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility.**

Investment Options Compared With Unmanaged Indices* at 06/30/12	Year-to-Date	1 Year	3 Years†	5 Years†	10 Years†	Since Inception†	Inception Date	Expense Ratio£	As of
RETIREMENT FUNDS									
T. Rowe Price Retirement 2055 Fund	7.99%	-0.97%	14.47%	0.28%	—	1.79%	12/29/06	*0.76%*	*05/31/11*
Combined Index Portfolio 2055	7.13	-0.02	13.85	0.09	—	—	—	—	—
T. Rowe Price Retirement 2050 Fund	7.89	-1.12	14.41	0.28	—	1.79	12/29/06	*0.76*	*05/31/11*
Combined Index Portfolio 2050	7.13	-0.02	13.85	0.09	—	—	—	—	—
T. Rowe Price Retirement 2045 Fund	7.98	-1.06	14.41	0.31	—	4.91	05/31/05	*0.76*	*05/31/11*
Combined Index Portfolio 2045	7.13	-0 02	13.85	0.09	—	—	—	—	—
T. Rowe Price Retirement 2040 Fund	7.97	-1.13	14.45	0.29	—	8.55	09/30/02	*0.76*	*05/31/11*
Combined Index Portfolio 2040	7.13	-0.02	13.85	0.09	—	—	—	—	—
T. Rowe Price Retirement 2035 Fund	7.89	-1.04	14.42	0.29	—	5.21	02/27/04	*0.76*	*05/31/11*
Combined Index Portfolio 2035	7.10	0.05	13.85	0.10	—	—	—	—	—
T. Rowe Price Retirement 2030 Fund	7.68	-0.53	14.25	0.54	—	8.64	09/30/02	*0.74*	*05/31/11*
Combined Index Portfolio 2030	6.86	0.54	13.59	0.33	—	—	—	—	—
T. Rowe Price Retirement 2025 Fund	7.34	-0.02	13.87	0.92	—	5.36	02/27/04	*0.72*	*05/31/11*
Combined Index Portfolio 2025	6.55	1.06	13.15	0.72	—	—	—	—	—
T. Rowe Price Retirement 2020 Fund	6.98	0.67	13.46	1.45	—	8.39	09/30/02	*0.69*	*05/31/11*
Combined Index Portfolio 2020	6.15	1.62	12.58	1.17	—	—	—	—	—
T. Rowe Price Retirement 2015 Fund	6.39	1.12	12.75	2.03	—	5.46	02/27/04	*0.65*	*05/31/11*
Combined Index Portfolio 2015	5.69	2.16	11.84	1.68	—	—	—	—	—
T. Rowe Price Retirement 2010 Fund	5.86	1.79	11.90	2.49	—	7.90	09/30/02	*0.61*	*05/31/11*
Combined Index Portfolio 2010	5.11	2.70	10.89	2.10	—	—	—	—	—
T. Rowe Price Retirement 2005 Fund	5.28	2.28	11.00	3.18	—	5.42	02/27/04	*0.58*	*05/31/11*
Combined Index Portfolio 2005	4.65	3.20	9.86	2.60	—	—	—	—	—
T. Rowe Price Retirement Income Fund	4.67	1.98	9.69	3.44	—	6.60	09/30/02	*0.56*	*05/31/11*
Combined Index Portfolio Income	4.22	2.77	8.33	2.56	—	—	—	—	—
CHOOSE-YOUR-OWN MIX									
STOCKS									
T. Rowe Price Blue Chip Growth Fund	12.29	7.01	17.55	2.42	6.30%	8.97	06/30/93	*0.77*	*12/31/11*
Lipper Large-Cap Growth Funds Average	9.55	1.81	14.77	1.33	4.81	—	—	—	—
T. Rowe Price Equity Index 500 Fund	9.33	5.18	16.07	0.01	5.08	8.40	03/30/90	*0.30*	*12/31/11*
Lipper S&P 500 Objective Funds Average	9.16	4.81	15.72	-0.32	4.79	—	—	—	—
Please be advised that the fund charges a 0.5% redemption fee on shares held 90 days or less.									
T. Rowe Price International Stock Fund	5.29	-11.61	9.89	-2.67	5.27	9.15	05/09/80	*0.85*	*10/31/11*
Lipper International Large-Cap Growth Funds Average	4.85	-12.40	7.74	-3.80	5.45	—	—	—	—
Please be advised that the fund charges a 2% redemption fee on shares held 90 days or less.									
T. Rowe Price Media & Telecommunications Fund	14.82	5.81	25.10	6.48	17.48	13.80	10/13/93	*0.83*	*12/31/11*
Lipper Telecommunication Funds Average	6.62	-4.17	12.06	-3.91	7.18	—	—	—	—

Investment Options Compared With Unmanaged Indices* at 06/30/12	Year-to-Date	1 Year	3 Years†	5 Years†	10 Years†	Since Inception†	Inception Date	Expense Ratio£	As of
T. Rowe Price Overseas Stock Fund	4.51	-12.18	8.51	-4.98	—	-2.84	12/29/06	*0.88*	*10/31/11*
Lipper International Large-Cap Core Funds Average	3.35	-13.85	5.88	-6.20	4.34	—	—	—	—
Please be advised that the fund charges a 2% redemption fee on shares held 90 days or less.									
T. Rowe Price Science & Technology Fund	3.98	-5.93	14.48	2.69	6.62	9.20	09/30/87	*0.90*	*12/31/11*
Lipper Science & Technology Funds Average	9.40	-2.79	15.27	2.22	7.01	—	—	—	—
BONDS									
T. Rowe Price New Income Fund	2.86	6.86	7.42	7.09	5.80	7.71	08/31/73	*0.66*	*05/31/11*
Lipper Corporate Debt Funds A-Rated Average	3.63	7.67	8.64	6.48	5.47	—	—	—	—
T. Rowe Price U.S. Bond Enhanced Index Trust*	2.70	7.59	7.04	6.99	5.65	6.24	09/30/92	*0.25*	*12/31/11*
Barclays U.S. Aggregate Bond Index	2.37	7.47	6.93	6.79	5.63	—	—	—	—
MONEY MARKET/STABLE VALUE									
T. Rowe Price Stable Value Fund¶	1.21	2.73	3.53	3.88	4.11	5.57	09/12/88	*0.31*	*06/30/12*
Hueler Pooled Fund Universe	1.18	2.48	2.85	3.43	4.05	—	—	—	—
T. Rowe Price U.S. Treasury Money Fund 7-Day Yield = 0.01% and -0.30% (w/o waiver) as of 06/30/12▼	0.01	0.01	0.01	0.70	1.44	4.18	06/28/82	*0.45*	*05/31/11*
Lipper U.S. Treasury Money Market Funds Average	0.00	0.01	0.01	0.60	1.30	—	—	—	—

An investment in a money market fund is neither insured nor guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in this fund.

In an effort to maintain a zero or positive net yield, T. Rowe Price has voluntarily waived all or a portion of the management fee it is entitled to receive from the fund. The 7-day yield without the waiver represents what the yield would have been if we were not waiving our management fee. See the fund's prospectus for more details.

* Unmanaged indices:
Barclays U.S. Aggregate Bond Index – an unmanaged index that tracks domestic investment-grade bonds, including corporate, government, and mortgage-backed securities.
Barclays U.S. Treasury Inflation Protected Securities (TIPS) 1-5 Year Index – an unmanaged index that consists of inflation protected securities issued by the U.S. Treasury.
Combined Index Portfolios for Retirement Funds – reflect weighted average benchmark returns based on the funds' neutral allocations in T. Rowe Price mutual funds. These allocations will vary over time. Stocks are represented by the Russell 3000 Index and the MSCI All Country World Index Ex-U.S.A., and bonds by the Barclays U.S. Aggregate Bond Index and the Barclays U.S. Treasury Inflation Protected Securities (TIPS) 1-5 Year Index. Please see the Retirement Funds' prospectus for further details on the index composition.
Hueler Pooled Fund Universe – is provided by Hueler Analytics, a Minnesota-based consulting firm, which has developed the Universe for use as a comparative database to evaluate collective trust funds and other pooled vehicles with investments in GICs and other stable value instruments. The Universe is comprised of pooled stable value funds with common investment objectives of stability of principal; the number of participating funds in the Universe may vary over the different historic periods. Total return performance is calculated by taking the straight average of the monthly returns of the funds participating in the Universe during each month, which are then linked to derive the index returns for all other time periods. Universe rates of return are reported gross of management fees.
Lipper Averages – consist of all the mutual funds in a particular category as tracked by Lipper Inc.
MSCI All Country World Index Ex-U.S.A. – a market capitalization weighted index of over 850 stocks traded in 22 world markets.
Russell 3000 Index – measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

† Annualized.
£ T. Rowe Price is the source of all expense ratio data for its mutual funds. All other expense ratio data are provided by Lipper Inc.
* The T. Rowe Price U.S. Bond Enhanced Index Trust (the "Trust") is not a mutual fund. It is a common trust fund established by T. Rowe Price Trust Company under Maryland banking law, and its units are exempt from registration under the Securities Act of 1933. Investments in the Trust are not deposits or obligations of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company and are subject to investment risks, including possible loss of principal.
¶ The T. Rowe Price Stable Value Common Trust Fund (the "Trust") is not a mutual fund. It is a common trust fund established by T. Rowe Price Trust Company under Maryland banking law, and its units are exempt from registration under the Securities Act of 1933. Investments in the Trust are not deposits or obligations of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company. Although the Trust seeks to preserve the value of your investment at $1.00 per unit, it is possible to lose money by investing in the Trust.
▼ Yields for money market funds represent the average daily dividends for the 7 days annualized by 365 days and divided by the net asset values per share at the end of the period. All yields will vary and are not guaranteed. Year-to-date figures are not annualized and represent total return, which includes reinvested distributions (income and capital gains) and any change in share price for the given period. Money market funds seek to maintain a stable share price. The yield quotation more closely reflects the current earnings of the money market fund than the total return quotation.

The Stable Value Fund (SVF) imposes a 90-day "equity wash" provision on exchanges to competing funds. The SVF is interest rate sensitive; therefore, direct exchanges from the SVF to money market funds and certain short-term bond funds are not permitted. "Permissible" or "eligible" investment options include most common stock funds and any fixed income fund with a duration that is equal to or greater than 3 years. Exchanges from the SVF must remain invested in eligible investment options for at least 90 days before exchanging into a competing fund.

Investors should note that if interest rates rise significantly from current levels, bond fund total returns are likely to decline and may even turn negative in the short term. All funds are subject to market risk, including the potential loss of principal.

The funds' average annual total return figures include changes in principal value, reinvested dividends, and capital gain distributions.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.

Notes

Take action

What you do next depends on your specific situation.

Not a plan participant?

If you are currently not enrolled in your retirement plan, get started today:

- Decide how much you want to contribute.
- Review your investment options and select a mix that is right for you.
- Log in to **rps.troweprice.com** or call your plan's toll-free number to enroll.
- Don't forget to name your beneficiary.
- Supply us with your e-mail address.

Already participating?

If you are already enrolled in your retirement plan, there is still more you can do to make the most of this important benefit:

- If you are below your target contribution level, increase your deferral rate.
- Review your investment strategy and see if it still makes sense based on your age.
- Name or update your beneficiary.
- Supply us with your e-mail address.

Have questions?

Call T. Rowe Price at **1-800-922-9945**. Representatives are available during business days between 5 a.m. and 8 p.m. mountain time.

Para hablar con un representante de T. Rowe Price, llame durante los días hábiles entre 7 a.m. y 10 p.m. (hora del Este de los Estados Unidos).

This guide provides only a general overview of your plan. For more information, review the summary plan description.

Account access

We make it easy for you to learn more about retirement investing and to get important information about your retirement plan—online or by phone.

Online:

You will have instant access to your account anytime, day or night. Here are some examples of things you can do when you log in from your home, office, or while traveling:

- Manage your account.
- Review investment and market information.
- Use calculators and planning tools.
- View your quarterly statements (in most instances, account statements are delivered electronically unless you elect otherwise).
- Enter your e-mail address to get full use of our online services, including timely announcements about market events and paperless statements.

First-time account access over the Internet is easy. Simply follow the steps below:

- Go to **rps.troweprice.com**.
- Choose Register and follow the prompts to create a user name and password. You will only need your date of birth, Social Security number, and ZIP code once for your initial registration.

That's it! The next time you go to **rps.troweprice.com**, simply enter your user name and click **Log In**. Then enter your password and click **Log In** again.

By phone:

Account information and transactions are also just a phone call away. Just dial **1-800-922-9945** and you will be connected to the Plan Account Line (PAL). You can use the PAL 24 hours a day, any day of the year for many of the same requests you can do online.

If you have questions or need direct assistance, T. Rowe Price representatives are available during business days between 5 a.m. and 8 p.m. mountain time.

T. Rowe Price
INVEST WITH CONFIDENCE

T. Rowe Price Retirement Plan Services, Inc.
P.O. Box 17349
Baltimore, MD 21297-1349

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COMPANY

ABOUT YOUR RETIREMENT PLAN SERVICE PROVIDER

T. Rowe Price is one of the nation's most respected leaders in retirement plan services and investment management. The Baltimore-based firm offers a unique combination of investment management expertise, world-class service, and extensive resources to help you prepare for a more secure retirement.

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[redacted] Employee 401(k) Retirement Plan

A. Plan Related Information

July 18, 2012

This notice gives you important plan-related information under the [redacted] Employee 401(k) Retirement Plan ("Plan"). You can find out more about the Plan in the Plan's Summary Plan Description ("SPD"). If you need help understanding this notice please go to http://rps.troweprice.com/ParticipantNoticeHelp.

Part I. General Plan Information

- **How to Give Investment Instructions.** You may direct the investment of your account balance and future contributions among a range of investment options available under the Plan. To provide investment instructions for your account, log in to the participant website at **http://rps.troweprice.com**, or call the toll-free Plan Account Line at 1-800-922-9945.

- **Limitations on Investment Instructions.** Investment instructions may be subject to an investment option's trading guidelines and restrictions. Please see the Fee and Expense Information under the Investment Options section of this notice for an investment option's limitations, if any.

- **Designated Investment Alternatives.** The following investment options are available under the Plan:

  - American Funds Europac Grw R6
  - Equity Income
  - Goldman Sachs Sat. Strat Instl
  - Growth Stock
  - Lord Abbett Small Cap Value I
  - Mid Cap Growth
  - PIMCO Real Return, Admin
  - PIMCO Total Return, Instl.
  - T. Rowe Price Media & Telecomm
  - T. Rowe Price Retirement 2005
  - T. Rowe Price Retirement 2010
  - T. Rowe Price Retirement 2015
  - T. Rowe Price Retirement 2020
  - T. Rowe Price Retirement 2025
  - T. Rowe Price Retirement 2030
  - T. Rowe Price Retirement 2035
  - T. Rowe Price Retirement 2040
  - T. Rowe Price Retirement 2045
  - T. Rowe Price Retirement 2050
  - T. Rowe Price Retirement 2055
  - T. Rowe Price Retirement Income
  - T. Rowe Price Spectrum Income

- Templeton Global Bond, Advisor
- TRP Equity Index Trust Class C
- TRP Stable Value Fund - N

Call your Plan Account Line at 1-800-922-9945 or log in to the participant website at **http://rps.troweprice.com** to request investment fund prospectuses, financial statements and annual reports, and other information that is furnished to the Plan on the investment options. These materials include investment objectives, risks, fees, expenses, and other information that you should read and consider before investing.

Part II. Administrative Expenses

This chart shows fees and expenses for general plan administrative services, which may be charged to and withdrawn from your account and are not included in the total annual operating expenses of any investment options offered under the Plan.

Plan Administrative Service	Fees and Expenses
Recordkeeping	The Plan routinely incurs expenses for the services of lawyers, actuaries, accountants, third party administrators, and other advisors. Some of these expenses may be paid directly by the Employer while other expenses may be paid from the assets of the Plan. If such expenses are paid from Plan Assets, the Employer shall determine if such fees will be deducted from the Participants' Accounts on a per capita or pro rata basis.

Part III. Individual Expenses

- **Individual Expenses.** This chart shows fees and expenses for services provided to you on an individual basis that may be charged to and withdrawn from your account and are not reflected in the total annual operating expenses of any investment options offered under the Plan.

Individual Service	Fees and Expenses
Participant Loan Origination	$50.00 per loan

- **Shareholder-Type Fees.** This chart shows fees and expenses that may be charged to and withdrawn from your account and which are not reflected in the total annual operating expenses of any investment options offered under the Plan.

Name	Shareholder-Type Fee
TRP Stable Value Fund - N	Dollars withdrawn may not be transferred to a competing fund for 90 days after withdrawal.

B. Investment Options

This section includes important information to help you compare the investment options under your retirement plan. If you want additional information about your investment options, you can go to the specific Internet website address shown below or you can call the toll-free Plan Account Line at 1-800-922-9945. A free paper copy of the additional information available on the website can be obtained by contacting T. Rowe Price Retirement Plan Services Inc., Att: 404(a) Request-105275, PO Box 17215, Baltimore MD 21297-1215.

This section has three parts. Part I consists of performance information for plan investment options. This part shows you how well the investments have performed in the past. Part II shows you the fees and expenses you will pay if you invest in an option. Part III, if applicable, contains information about the annuity options under your retirement plan. Table 1 focuses on the performance of investment options that do not have a fixed or stated rate of return. Table 1 shows how these options have performed over time and allows you to compare them with an appropriate benchmark for the same time periods. Past performance does not guarantee how the investment option will perform in the future. Your investment in these options could lose money. Information about an option's principal risks is available on **http://rps.troweprice.com**.

Part I. Performance Information

Table 1 - Variable Return Investments

Name/Type of Option	Average Annual Total Return as of 12/31/11				Benchmark			
	1 yr.	5 yr.	10 yr.	Since Inception	1 yr.	5 yr.	10 yr.	Since Inception
Retirement Funds								
T. Rowe Price Retirement 2005 /Target Date 2000-2010	1.43%	3.16%	-	5.08%	5.15%	5.29%	-	5.40%
					Dow Jones Target 2005 Index			
					2.38%	2.64%	-	-
					Combined Index Portfolio 2005			
T. Rowe Price Retirement 2010 /Target Date 2000-2010	0.54%	2.53%	-	7.68%	4.49%	4.68%	-	7.69%
					Dow Jones Target 2010 Index			
					1.80%	2.17%	-	-
					Combined Index Portfolio 2010			
T. Rowe Price Retirement 2015 /Target Date 2011-2015	-0.32%	2.11%	-	4.98%	3.42%	3.87%	-	5.47%
					Dow Jones Target 2015 Index			
					1.11%	1.73%	-	-
					Combined Index Portfolio 2015			
T. Rowe Price Retirement 2020 /Target Date 2016-2020	-1.20%	1.55%	-	8.07%	2.01%	3.10%	-	8.80%
					Dow Jones Target 2020 Index			
					0.47%	1.23%	-	-
					Combined Index Portfolio 2020			
T. Rowe Price Retirement 2025 /Target Date 2021-2025	-2.06%	1.06%	-	4.76%	0.49%	2.43%	-	5.70%
					Dow Jones Target 2025 Index			
					-0.20%	0.78%	-	-
					Combined Index Portfolio 2025			
T. Rowe Price Retirement 2030 /Target Date 2026-2030	-2.70%	0.69%	-	8.25%	-1.20%	1.75%	-	9.56%
					Dow Jones Target 2030 Index			
					-0.80%	0.40%	-	-
					Combined Index Portfolio 2030			
T. Rowe Price Retirement 2035 /Target Date 2031-2035	-3.26%	0.43%	-	4.53%	-2.62%	1.22%	-	5.57%
					Dow Jones Target 2035 Index			
					-1.36%	0.15%	-	-
					Combined Index Portfolio 2035			

Name/Type of Option	Average Annual Total Return as of 12/31/11				Benchmark			
	1 yr.	5 yr.	10 yr.	Since Inception	1 yr.	5 yr.	10 yr.	Since Inception
Retirement Funds (continued)								
T. Rowe Price Retirement 2040 /Target Date 2036-2040	-3.49%	0.42%	-	8.14%	-3.59%	0.93%	-	9.56%
					Dow Jones Target 2040 Index			
					-1.46%	0.14%	-	-
					Combined Index Portfolio 2040			
T. Rowe Price Retirement 2045 /Target Date 2041-2045	-3.47%	0.43%	-	4.07%	-3.99%	0.88%	-	4.90%
					Dow Jones Target 2045 Index			
					-1.46%	0.14%	-	-
					Combined Index Portfolio 2045			
T. Rowe Price Retirement 2050 /Target Date 2046-2050	-3.36%	0.43%	-	0.43%	-4.00%	0.88%	-	0.88%
					Dow Jones Target 2050 Index			
					-1.46%	0.14%	-	-
					Combined Index Portfolio 2050			
T. Rowe Price Retirement 2055 /Target Date 2051+	-3.35%	0.41%	-	0.41%	-4.00%	0.88%	-	0.88%
					Dow Jones Target 2055 Index			
					-1.46%	0.14%	-	-
					Combined Index Portfolio 2055			
T. Rowe Price Retirement Income/Retirement Income	1.43%	3.37%	-	6.44%	2.82%	4.06%	-	7.29%
					DJ Moderately Cons Port IX			
					1.81%	2.57%	-	-
					Combined Index Portfolio Income			
Stocks								
American Funds Europac Grw R6/Foreign Large Blend	-13.31%	-	-	10.26%	-13.71%	-	-	11.44%
					MSCI AC World Index Ex USA (Net)			
Equity Income/Large Value	-0.72%	-0.96%	4.07%	-	2.11%	-0.25%	2.92%	-
					S&P 500 Index			
					2.66%	-0.72%	3.68%	-
					Lipper Equity Income Funds Index			
Growth Stock/Large Growth	-0.97%	1.12%	3.65%	-	2.11%	-0.25%	2.92%	-
					S&P 500 Index			
					-2.90%	0.85%	1.43%	-
					Lipper Large-Cap Growth Funds Index			
Lord Abbett Small Cap Value I /Small Blend	-4.36%	3.84%	10.21%	-	-5.50%	-1.87%	6.40%	-
					Russell 2000 Value Index			
Mid Cap Growth/Mid-Cap Growth	-1.21%	5.48%	7.51%	-	-1.73%	3.32%	7.04%	-
					S&P Mid Cap 400 Index			
					-5.30%	2.89%	4.48%	-
					Lipper Mid-Cap Growth Funds Index			
T. Rowe Price Media & Telecomm/Communications	-0.03%	6.86%	11.56%	-	2.11%	-0.25%	2.92%	-
					S&P 500 Index			
					-4.29%	-2.36%	0.73%	-
					Lipper Telecommunications Funds Average			
TRP Equity Index Trust Class C	2.04%	-0.24%	2.92%	-	2.11%	-0.25%	2.92%	-
					S&P 500 Index			

Name/Type of Option	Average Annual Total Return as of 12/31/11				Benchmark			
	1 yr.	5 yr.	10 yr.	Since Inception	1 yr.	5 yr.	10 yr.	Since Inception
Bonds								
PIMCO Real Return, Admin/Inflation-Protected Bond	11.30%	8.11%	7.60%	-	13.56%	7.95%	7.57%	-
					Bar Cap US Tips			
PIMCO Total Return, Instl./Intermediate-Term Bond	4.16%	8.10%	6.81%	-	7.84%	6.50%	5.78%	-
					Bar US Agg			
T. Rowe Price Spectrum Income/Multisector Bond	4.16%	5.74%	6.86%	-	7.84%	6.50%	5.78%	-
					Bar US Agg			
					7.62%	5.53%	7.89%	-
					Lipper General Bond Funds Average			
Templeton Global Bond, Advisor/World Bond	-2.21%	9.31%	11.23%	-	6.35%	7.13%	7.77%	-
					Citigroup World Government Bond Index			
Money Market/Stable Value								
TRP Stable Value Fund - N/Stable Value	3.34%	4.20%	4.38%	-	0.08%	1.36%	1.85%	-
					Citigroup 3 Month Treasury Bill Index			
Blended Assets								
Goldman Sachs Sat. Strat Instl/World Allocation	-2.77%	-	-	-1.23%	2.11%	-	-	-0.40%
					S&P 500 Index			

All returns for periods greater than one year are annualized, all returns for periods less than one year are cumulative.

Part II. Fee and Expense Information

Table 2 shows fee and expense information for the investment options listed in Table 1. Table 2 shows the Total Annual Operating Expenses of the options in Table 1. Total Annual Operating Expenses are expenses that reduce the rate of return of the investment option. Table 2 also shows Shareholder-type Fees. These fees are in addition to Total Annual Operating Expenses.

Table 2 - Fees and Expenses

Name/Type of Option	Total Annual Operating Expenses		Shareholder-Type Fees and Restrictions
	As a %	Per $1000	
Retirement Funds			
T. Rowe Price Retirement 2005 /Target Date 2000-2010	0.58%	$5.80	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2010 /Target Date 2000-2010	0.61%	$6.10	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2015 /Target Date 2011-2015	0.65%	$6.50	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2020 /Target Date 2016-2020	0.69%	$6.90	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2025 /Target Date 2021-2025	0.72%	$7.20	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2030 /Target Date 2026-2030	0.74%	$7.40	Subject to a 30-Day Purchase Block*

Name/Type of Option	Total Annual Operating Expenses As a %	Per $1000	Shareholder-Type Fees and Restrictions
Retirement Funds (continued)			
T. Rowe Price Retirement 2035 /Target Date 2031-2035	0.76%	$7.60	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2040 /Target Date 2036-2040	0.76%	$7.60	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2045 /Target Date 2041-2045	0.76%	$7.60	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2050 /Target Date 2046-2050	0.76%	$7.60	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement 2055 /Target Date 2051+	0.76%	$7.60	Subject to a 30-Day Purchase Block*
T. Rowe Price Retirement Income/Retirement Income	0.56%	$5.60	Subject to a 30-Day Purchase Block*
Stocks			
American Funds Europac Grw R6/Foreign Large Blend	0.50%	$5.00	Subject to a 30-Day Purchase Block*
Equity Income/Large Value	0.68%	$6.80	Subject to a 30-Day Purchase Block*
Growth Stock/Large Growth	0.70%	$7.00	Subject to a 30-Day Purchase Block*
Lord Abbett Small Cap Value I /Small Blend	0.93%	$9.30	
Mid Cap Growth/Mid-Cap Growth	0.80%	$8.00	Subject to a 30-Day Purchase Block*
T. Rowe Price Media & Telecomm/Communications	0.83%	$8.30	Subject to a 30-Day Purchase Block*
TRP Equity Index Trust Class C	0.10%	$1.00	Subject to a 30-Day Purchase Block*
Bonds			
PIMCO Real Return, Admin/Inflation-Protected Bond	0.71%	$7.10	
PIMCO Total Return, Instl./Intermediate-Term Bond	0.46%	$4.60	
T. Rowe Price Spectrum Income/Multisector Bond	0.69%	$6.90	Subject to a 30-Day Purchase Block*
Templeton Global Bond, Advisor/World Bond	0.65%	$6.50	
Money Market/Stable Value			
TRP Stable Value Fund - N /Stable Value	0.20%	$2.00	Dollars withdrawn may not be transferred to a competing fund for 90 days after withdrawal.
Blended Assets			
Goldman Sachs Sat. Strat Instl/World Allocation	1.10%	$11.00	Subject to a 30-Day Purchase Block*

* This investment restricts a participant's exchange into a fund for a period of 30 calendar days after the participant has exchanged out of the same fund (the "30-Day Purchase Block"). In addition, the investment sponsor reserves the right to cancel or reject, without further notice any exchange that is deemed to result in excessive or short-term trading.

The cumulative effect of fees and expenses can substantially reduce growth of your retirement savings. Visit the Department of Labor's website at http://www.dol.gov/ebsa/publications/401k_employee.html for an example showing the long-term effect of fees and expenses. Fees and expenses are only one of many factors to consider when you decide to invest in an option. You may also want to think about whether an investment in a particular option, along with your other investments, will help you achieve your financial goals.

Please visit http://rps.troweprice.com/glossary for a glossary of investment terms relevant to the investment options under this plan. This glossary is intended to help you better understand your options.

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[Date]

Re: REQUIRED QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA) NOTICE
For [ABC Company 401(k) Plan]

NOTE: No changes to your current or future investment allocation or plan balance will occur as a result of this notice. This notice is required to be made available to you in order for the Plan to receive fiduciary protection under Section 404(c)(5) of ERISA. No action on your part is required.

The **[ABC Company 401(k) Plan]** allows you to invest your account in a number of different investment funds. Unless you choose or have chosen a different investment fund or funds, your Plan account will be invested in the Plan's default investment fund. The Plan's default investment fund is **[the retirement fund with the target date closest to the year in which you turn 65]**.

A brief description of the Plan's default fund, including the fund's investment objectives risk and return characteristics, fees and expenses (including any restrictions, fees or expenses that apply when you transfer assets from the default investment), is included and made a part of this notice.

You have the right to change how your Plan account is invested, among the investment funds offered under the Plan, at any time by calling the Plan Account Line at 1-800-922-9945 or by going to rps.troweprice.com. You can obtain investment information about the Plan's default investment fund and other investment options by calling the Plan Account Line or by going to rps.troweprice.com.

For Spanish speaking participants: Si desea hablar con un representante en español, llame a T. Rowe Price al 1-800-368-2768. Los representantes están a su disposición los días laborales entre las 7 a.m. y las 10 p.m. hora local Este.

CURRENT DEFAULT INVESTMENT

Your plan offers a number of different investment options, including 12 retirement funds (Retirement Funds) managed by T. Rowe Price. If you have not made or do not make an affirmative investment election, the Retirement Fund in which your account is invested is the fund whose stated date is closest to the date you will turn 65. The Retirement Funds invest in a diversified portfolio of stocks and bonds that are rebalanced to maintain their asset allocation and progressively become more conservative over time until reaching their final asset allocation 30 years after the stated retirement date. The funds are designed for an investor who plans to retire at or around age 65 and withdraw the value of his or her account in the fund *gradually* after retirement.

RETIREMENT FUND OBJECTIVE:

The objective of each Retirement Fund is the highest total return over time consistent with an emphasis on both capital growth and income. This objective is pursued by investing in a diversified portfolio of T. Rowe Price stock and bond funds whose allocation (with the exception of the Income Fund) changes over time. The Income Fund pursues this objective by investing in a diversified portfolio consisting of about 40% stocks and 60% bonds whose allocation is fixed over time.

Table 1: The following table shows the default fund that corresponds to your age and details the way in which each fund's portfolio is allocated among the various asset classes. The table also lists the relative risk/reward potential and expense ratio for each fund.

If you were born...	You are defaulted into...	Your default fund's neutral investment allocation (as of 9/1/2012) is...		Relative Risk/Reward Potential	Expense Ratio* (as of 5/31/2012)
		Stocks	Bonds		
In 1988 or after	Retirement 2055	90.0%	10.0%	Higher	0.78%
1983–1987	Retirement 2050	90.0%	10.0%	Higher	0.78%
1978–1982	Retirement 2045	90.0%	10.0%	Higher	0.78%
1973–1977	Retirement 2040	90.0%	10.0%	Higher	0.78%
1968–1972	Retirement 2035	87.5%	12.5%	Higher	0.77%
1963–1967	Retirement 2030	82.5%	17.5%	Higher	0.75%
1958–1962	Retirement 2025	76.5%	23.5%	Moderate-Higher	0.73%
1953–1957	Retirement 2020	68.5%	31.5%	Moderate-Higher	0.70%
1948–1952	Retirement 2015	60.5%	39.5%	Moderate-Higher	0.66%
1943–1947	Retirement 2010	50.5%	49.5%	Moderate	0.61%
1938–1942	Retirement 2005	43.0%	57.0%	Moderate	0.59%
In 1937 or before	Retirement Income	40.0%	60.0%	Moderate	0.57%

* The *expense ratio*, expressed as an annualized percentage of total assets, is what participants pay for mutual fund operating expenses and management fees. The expense ratio is disclosed in the prospectus.

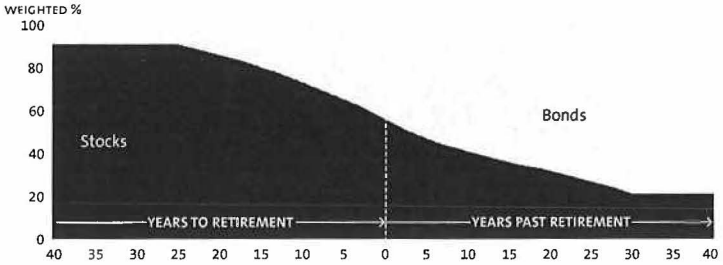
RISK AND RETURN CHARACTERISTICS:

The principal value of the Retirement Funds is not guaranteed at any time, and you may experience losses, including losses near, at, or after the target date, which is the approximate date when investors turn age 65. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. There is no guarantee that the funds will provide adequate income at and through your retirement.

The Retirement Funds invest in a broad range of underlying mutual funds that include stocks and bonds and are subject to the risks of different areas of the market. *The funds maintain a substantial allocation to stocks both prior to and after the target date, which can result in greater volatility.* The more a Retirement Fund allocates to stock funds, the greater the expected risk. For further details on all risks associated with investment in a fund, please refer to the Retirement Funds' prospectus.

HOW THE FUNDS' ASSET ALLOCATIONS CHANGE OVER TIME:

Each fund's allocation between T. Rowe Price stock and bond funds will change over time according to a predetermined "glide path" as illustrated below. (The glide path represents the shifting of asset classes over time and does not apply to the Income Fund.)



As the illustration shows, each fund's asset mix becomes more conservative—both prior to and after age 65—as time elapses. Once a fund (other than the Income Fund) reaches its most conservative planned allocation approximately 30 years after its stated target retirement date, its allocation to stocks will remain fixed at approximately 20% of assets. The remainder will be invested 80% in bonds.

The target allocations for bonds are not expected to vary from the glide-path formula by more than plus or minus five percentage points. In the case of stocks, asset allocation is not expected to vary by more than plus or minus five percentage points for U.S. stocks and international stocks, respectively.

FEES AND EXPENSES:

Table 2: As shown in the following table, there are no fees or charges to buy or sell fund shares, reinvest dividends, or exchange into other investment options. While the Retirement Funds themselves impose no fees or charges, they will indirectly bear their pro-rata share of the expenses of the underlying T. Rowe Price stock and bond funds they hold.

Expense Ratios	See Table 1
Redemption Fees	—
12b-1 Fees	0.0%
Front-End Load	0.0%
Back-End Load	0.0%
Transaction Fees	No

For details showing the expenses each fund will bear based on the expected allocation to, and the expected average expense ratio of, the underlying funds in future years, please refer to the Retirement Funds' prospectus.

Call 1-800-922-9945 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing. You can obtain additional information about the fund, including its glide path, on the T. Rowe Price website at **rps.troweprice.com.**

T. Rowe Price Investment Services, Inc., Distributor.

Vanguard®

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www.vanguard.com

May 22, 2012

Submitted electronically

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street N.E.
Washington, DC 20549-1090

Re: Investment Company Advertising:
Target Date Retirement Fund Names and Marketing,
Release Nos. 33-9126; IC-29301; File No. S7-12-10

Dear Ms. Murphy:

Vanguard[1] appreciates the opportunity to comment on the results of a survey conducted on the Commission's behalf by the research firm Siegal + Gale relating to investors' understanding of target date retirement funds ("TDFs"). As discussed in our previous comment letters, Vanguard strongly supports the Commission's goals of improving investor understanding of TDFs[2] and financial literacy among investors generally.[3] Vanguard actively engages in investor outreach and studies through its investment research departments and its Center for Retirement Research, and we have conducted multiple studies in recent years relating to investors' understanding of TDFs. We are pleased to share the results of our 2010 survey on investor comprehension and use of TDFs in connection with the Commission's TDF advertising and fund names initiative.[4]

Vanguard's research and survey results demonstrate that investors have a basic understanding of the nature of TDFs, recognize that the funds involve risk, and understand that the funds' asset allocation

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[1] Vanguard offers more than 170 index and actively managed funds with aggregate assets of approximately $1.7 trillion. We serve more than 3 million participants and 1,700 plan sponsors in over 2,200 defined contribution plans.
[2] "Investment Company Advertising: Target Date Retirement Fund Names and Marketing," Vanguard Comment Letter dated August 13, 2010, http://sec.gov/comments/s7-12-10/s71210-20.pdf. Vanguard also supports the Department of Labor's TDF initiatives, "Target Date Disclosure," Vanguard Comment Letter dated January 14, 2011, http://www.dol.gov/ebsa/pdf/1210-AB38-024.pdf.
[3] "Comment Request for Study Regarding Financial Literacy Among Investors," Vanguard Comment Letter dated June 21, 2011, http://www.sec.gov/comments/4-626/4626-51.pdf.
[4] Ameriks, Hamilton, and Ren, *Investor comprehension and usage of target-date funds: 2010 survey* (Jan. 2011), attached hereto and available online at https://institutional.vanguard.com/VGApp/iip/site/institutional/researchcommentary/article/InvResTDFinvestorsurvey.

becomes more conservative as the target year approaches. However, our data shows that there are two areas where TDF investors need more clarity and education:

- What changes, if any, the fund makes at the target date, and
- How the glide path changes after the target date.

We have recommended to the Commission—and continue to believe—that TDF marketing materials can be enhanced through the use of glide path illustrations or narratives to help investors better understand what happens in terms of the fund's asset allocation at the target date and beyond the target date. However, we do not endorse the mandatory use of a "tag line" directly beside the fund name that denotes the mix of investments at the target date. Our research does not support the value of this specific type of investor disclosure and, moreover, most investors want to know where the fund is invested at all times. A tag line connected to the fund name could frustrate investors' understanding of the glide path of a TDF by over-emphasizing the asset mix at a single point in time. We discuss each of these points in the context of the Commission's Siegal + Gale survey ("S+G survey"), and Vanguard's TDF investor studies, below.

Glide path

S+G survey results generally corroborate Vanguard's findings that investors' understanding of the mechanics of a TDF's glide path could be improved. The S+G survey finds that half of TDF owners participating in the survey believe that the target date is the point at which a TDF reaches its most conservative allocation.[5] While this technically may be accurate, most providers of TDFs continue to change their asset allocation through the target date. Vanguard's survey results found that only 29% of retail investors were aware that the asset allocation of a TDF may continue to change after the target date. Further, only 23% of defined contribution plan participants indicated they believed that TDFs have asset allocations that change after the target date. Both surveys support the notion that investors generally do not fully understand the movement of a TDF's glide path at and after the target date.

If the Commission continues to believe that TDF marketing materials are potentially inadequate, then we strongly encourage the Commission to focus on a glide path illustration or narrative as an effective means of investor communication that would address the areas where TDF investors would benefit from better disclosures and investor education (i.e., significance of target date and glide path after target year). In the context of such an illustration or narrative, we believe that emphasis should be focused on both the current allocation of the TDF as well as its projected allocation at and after the target date.

Tag line next to fund name

While data from both the S+G survey and our studies supports enhancements in disclosure of the significance of the target date, we believe that use of a tag line adjacent to the fund name is unnecessary and potentially confusing for investors. For example, we believe that the findings of the S+G survey are inconclusive as to whether a tag line improves investor understanding of the investments of a TDF. When investors were shown a marketing piece with both a depiction of a fund's glide path and a tag line next to the fund's name, the inclusion of the tag line did not significantly increase (and, in some instances, decreased)

[5] S+G survey, slide 30.

comprehension of the TDF investments.[6] In addition, nearly half of the respondents to the S+G survey stated that they would want to know the asset allocation of a TDF at every point along the glide path.[7]

Other observations relating to S+G survey

We take this opportunity to make a few additional observations about the S+G survey.

First, does the S+G survey distinguish between "misinformation" and "lack of information?" In Vanguard's TDF survey work, we found a high incidence of investors who are unfamiliar with the specific term "target date fund," in particular retirement plan participants. This lack of information occurs even among investors who own and hold TDFs in their portfolios. The S+G survey seems consistent in light of the data showing that over 25% of respondents did not know much about TDFs.[8] In the context of TDFs, we surmise that more investors are uninformed, rather than misinformed through faulty advertising. Continued efforts should be undertaken by the plan sponsors and mutual fund companies to provide plan participants and other TDF investors with plain English disclosures that are both meaningful and actionable with respect to an investment decision.

Second, how does the S+G survey methodology substantiate its finding that most investors believe that TDF are "guaranteed"? Vanguard's survey results differ dramatically from the S+G survey on the issue of whether shareholders believe that TDFs provide guarantees. Our data shows that among those investors who own TDFs, only 8% incorrectly believe that TDFs offer a guarantee (among IRA shareholders, only 3% had this misconception of a guarantee). We wish to point out that the S+G survey uses the terminology "guaranteed income," which can be misinterpreted or over-generalized to mean "a source of income" in retirement with no guarantee as to amount.[9]

Finally, we note that the S+G survey does not compare investor literacy metrics for TDFs with other investment products available in IRAs or 401(k) plans. For example, with respect to the guarantee question, the S+G survey addresses the question of whether respondents think TDFs are guaranteed—but it does not ask, as a benchmark, whether investors believe other types of IRA or 401(k) investments are guaranteed. Without a benchmark, it is not clear whether the gaps in investor understanding identified by the S+G survey apply solely to TDFs or reflect more general problems of investor literacy.

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[6] For instance, when asked about a TDF's bond allocation over time, 66% of study participants provided with marketing material showing a tag line could correctly answer questions posed. Comprehension rose to 74% of participants when shown material with a glide path and remained at 74% when shown material with a tag line and a glide path. S+G Survey, slide 50. Similarly, 38% of study participants shown a tag line could correctly identify that a TDF's asset allocation could be modified at any time. 46% of study participants answered the question correctly when shown a glide path. Comprehension dropped to 43% when participants were shown both a tag line and a glide path. S+G survey, slide 54.

[7] S+G survey, slide 47.

[8] S+G survey, slide 25.

[9] We note that Question 4 of the S+G survey listed "It is the year in which an investor in a target date retirement fund receives a guaranteed income" on the list of possible meanings of the target date, before any questions were asked about guarantees in TDFs. It is possible that an investor responding to the S+G survey would have a preconceived notion that TDFs provide a guaranteed income, simply due to how the survey question was phrased. Id.

We appreciate the opportunity to comment on the proposal. If you have any questions or require additional information, please contact Tara Buckley, Senior Counsel, Legal Department, at (610) 669-6860.

Sincerely,

/s/ Chris D. McIsaac

cc: Honorable Mary L. Schapiro, Chairman
Honorable Luis A. Aguilar, Commissioner
Honorable Troy A. Paredes, Commissioner
Honorable Elisse B. Walter, Commissioner
Honorable Daniel M. Gallagher, Commissioner

Eileen Rominger, Director, Division of Investment Management
Diane C. Blizzard, Associate Director, Division of Investment Management

Vanguard®

Investor comprehension and usage of target-date funds: 2010 survey

Vanguard research

January 2011

Authors
John Ameriks, Ph.D.
Dean J. Hamilton
Liqian Ren, Ph.D.

Executive summary. Vanguard conducted an online survey of target-date fund (TDF) investors in January 2010. The survey was motivated by our ongoing interest in investor behavior and intentions, the continued prominence of TDFs in the retirement landscape, and the 2008–2009 financial crisis, which spurred widespread discussion about TDF usage and comprehension among investors.

The survey finds that investors who are aware of target-date funds generally possess a solid understanding of the basic design of TDFs, as well as the investment risk involved. These investors also report sound reasoning in their decision-making as it pertains to TDFs and their overall retirement portfolio. We found that a significant number of TDF investors in employer-sponsored plans are "unaware": they had never heard of such funds. Unaware investors are presumably uninformed about TDFs, but there is no basis for assuming they are misinformed.

For those target-date shareholders who are aware of what they own, the survey does reveal opportunities for plan and fund sponsors to improve understanding about how TDFs work and how they may be used. In particular, more education may be warranted about fund mechanics at and around the target date and about the implications of combining TDFs with other assets.

In January 2010, Vanguard worked with an independent market research firm to survey Vanguard investors on their understanding and usage of TDFs. The online survey targeted both individual retirement account (IRA) owners and participants in defined-contribution (DC) employer plans.[1] We separated these groups in the survey results because of possible differences in motivation: IRA owners actively chose to invest at Vanguard and in a particular TDF, whereas plan sponsors chose Vanguard for their participants. Plan participants may have been automatically enrolled or defaulted into their TDF investment. In this paper we refer to the two investor groups as "IRA owners" and "plan participants." The survey drew 4,747 respondents, including 1,191 IRA owners and 1,843 plan participants who invested in a Vanguard Target Retirement Fund.

In designing this survey we also explicitly attempted to distinguish among individuals who used TDFs in different ways—those who held the TDF alone in their retirement account, and those who held other funds along with the TDF. (The latter were a slight majority.) We wanted to explore the differences in their motivations and behaviors, as well as the differences between TDF owners and non-owners. We therefore broke down the population of Vanguard IRA owners and plan participants into three subgroups, which we sampled independently:

- "Pure" TDF owners, who owned only one target-date fund at Vanguard.
- "Mixed" TDF owners, who owned a target-date fund plus at least one other investment at Vanguard.
- Non-TDF owners, who did not own a target-date fund at Vanguard.

Although the sampling was necessarily based on what investors owned at Vanguard, the survey responses gave us information about what they held elsewhere. Then we could re-categorize investors on the basis of whether they reported pure, mixed, or non-ownership of TDFs in their overall portfolios—not just their accounts at Vanguard. After the section below on "Awareness," all results in this summary reflect what investors reported for their overall holdings, both at Vanguard and elsewhere.

Survey respondents who held a TDF were typically men in their 40s, married, and earning more than $75,000 a year. Among TDF shareholders, the IRA owners typically had a larger household investable asset base; for example, 43% of IRA owners had more than $250,000 in investable assets compared with only 24% of plan participants. The vast majority of plan participants (90%) were currently working full-time. IRA owners' employment situations were more dispersed, with a larger percentage of people who were self-employed, working part-time, or retired.

In the reporting of aggregate statistics, we weighted the survey responses to reflect Vanguard's investor population, which we view as broadly representative because of its large size. Within each subsample, responses were weighted using age and assets held at Vanguard, and then in proportion to the size of the sampled sub-populations. The Appendix provides additional information on the demographics of the survey respondents.

We report our survey findings in four main sections. First we analyze the extent to which our respondents are aware of TDFs. We then focus on TDF owners, examining their comprehension of overall fund design, whether they believe in any guarantees, and how they perceive risk exposure. Next we evaluate the decision-making process of TDF owners, including why they chose a target-date fund, why many of them mix a TDF with other investments, and why a small number chose to invest in more than one TDF. Finally, we shift to investors' expectations about retirement: primary sources of income, equity allocations, and plans for spending TDF assets.

1 Investors who hold only taxable accounts at Vanguard were not targeted in this survey.

Key findings

- **Awareness.** IRA investors are significantly more aware of TDFs than are participants in employer-sponsored plans. This is not surprising, given the much higher level of engagement required of IRA investors. Many participants who own TDFs are not aware of them; however, it is important to note that this finding provides no basis for concluding that they *misunderstand* TDFs. All that can be said of unaware investors is that they do not know what they own. The need for all participants—aware and unaware—to have a reasonable investment portfolio is in fact the main challenge that TDFs are designed to address.

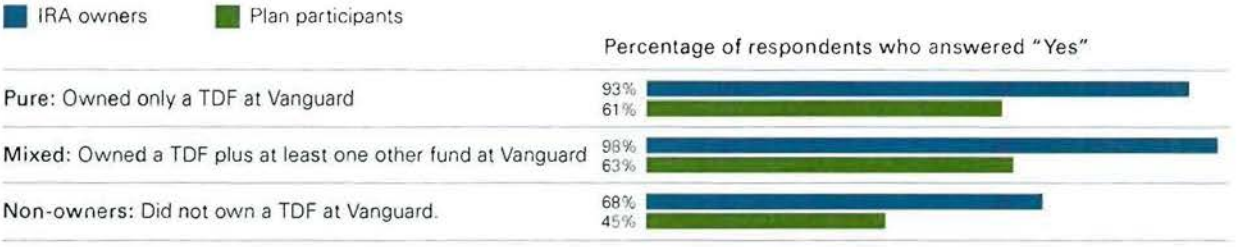
- **Comprehension.** A vast majority of investors who are aware of target-date funds understand the overall design of the funds, acknowledge that TDFs involve at least moderate risk, and accurately report that TDFs offer no guarantees, even at the target date. An opportunity exists to improve investor understanding of the significance of the target date and of how fund assets are managed beyond that point.

- **Decision-making.** Most aware TDF shareholders exercise at least a moderate degree of judgment in selecting their retirement investments and that a vast majority do not select their funds at random. Investors use TDFs both as a single-fund option and as part of a mixed retirement portfolio. In many cases, they report sound reasoning for adding other investments to a TDF; for example, to customize their portfolio, or to move up or down along the risk spectrum. That said, some investors cite "diversification" among their reasons for such additions. This behavior requires more research, but likely highlights a need to better educate investors about the meaning and purpose of financial diversification—what it is, and what it is not.

- **TDFs and retirement.** The design of TDFs—including an equity allocation at and beyond the target date—is well matched to investors' retirement expectations. Many investors consider their IRA or DC employer-plan assets a primary source of retirement income, and few plan to take a lump sum or annuitize their TDF assets. Further, a majority of investors plan to stay invested in stocks to some degree after they retire. Although specific equity allocations will continue to be debated, the survey confirms that investors are generally comfortable with equity exposure during their retirement years.

Notes on risk: All investments are subject to risk. Investments in target-date funds are subject to the risks of their underlying funds. The year in the fund name refers to the approximate year (the target date) when an investor in the fund would retire and leave the work force. The fund will gradually shift its emphasis from more aggressive investments to more conservative ones based on its target date. An investment in a target-date fund is not guaranteed at any time, including on or after the target date. Although target-date funds can simplify investment selection, they are subject to the risks associated with the underlying funds. Diversification does not ensure a profit or protect against a loss in a declining market. Investments in bond funds are subject to interest rate, credit, and inflation risk.

Figure 1. Have you ever heard of a target-date fund?



Note: In this chart, ownership status reflects only Vanguard retirement accounts. Other charts include data provided by respondents about their retirement accounts elsewhere.

Awareness of TDFs

To gauge awareness of TDFs at the highest level, we started by asking our respondents: "Have you ever heard of a target-date fund?"[2] An affirmative response was a prerequisite for most of what followed in the survey, as investors who have not heard of TDFs are unable to answer questions about them.

A striking finding at this early stage was that more than a third of participants who own TDFs said they had never heard of such funds. We discuss the implications of this result below.[3] Note that in this section of the paper—but not elsewhere—the terms "pure" and "mixed" refer to TDF ownership in Vanguard accounts only.

As **Figure 1** shows, awareness of TDFs was substantially higher among IRA owners than among plan participants. This was true for both pure and mixed TDF investors. For those who were aware of TDFs, we asked how they heard about the funds (**Figure 2**). Among plan participants, the most common answer was, unsurprisingly, via their plan. However, even among IRA owners, the largest fraction reported hearing about TDFs in the context of an employer plan. Another commonly mentioned source of awareness, particularly among IRA owners, is marketing by TDF providers.

The disparity between IRA owners and plan participants in awareness of TDFs is not surprising, given that large numbers of DC plan participants do not actively make investment decisions in their plans.[4] The need for an appropriate default investment for these participants is perhaps the chief factor

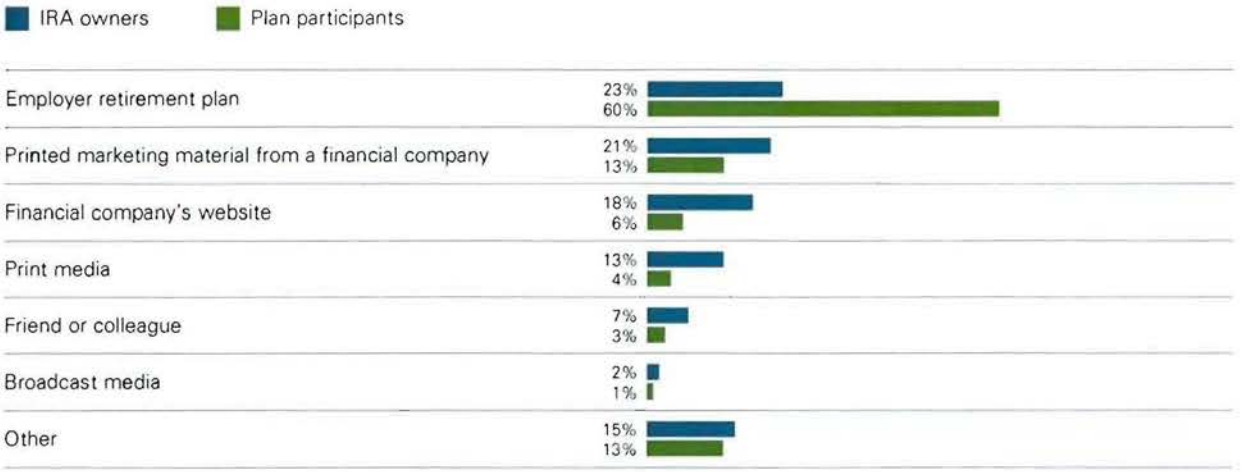
2 The following definition was provided to survey respondents: "A target-date fund is a mutual fund that is structured to provide an appropriate investment for some date in the future, such as retirement. Examples of target-date funds are Vanguard's 'Target Retirement Funds,' Fidelity's 'Freedom Funds,' or a 'T. Rowe Price Retirement Fund' at T. Rowe Price."

3 Only a few IRA owners who held TDFs were unaware of such funds. In these cases, the reasons are likely idiosyncratic; for example, assets inherited from a spouse, or a rollover from a plan account to which the investor had been defaulted.

4 For further discussion, see Choi, Laibson, and Madrian (2007).

Figure 2. How did you first become aware of target-date funds?

TDF shareholders only



driving the widespread adoption of TDFs. Following passage of the 2006 Pension Protection Act, TDFs quickly became the dominant Qualified Default Investment Alternative (QDIA) in defined-contribution plans. Among plans for which Vanguard acts as recordkeeper, 80% of those with a QDIA designate a suite of TDFs (Vanguard, 2010).

This trend, together with the growing use of automatic enrollment (43% of large plans at Vanguard have an automatic enrollment feature),[5] means that an increasing number of plan participants have been defaulted into a TDF. The welfare of these participants drew considerable attention in the wake of the 2008–2009 financial crisis, as policymakers and the press questioned whether defaulted participants understood their investment—in particular, whether they recognized the level of stock-market exposure in TDFs, especially funds with target dates of 2010 or earlier. Much of the controversy missed a key issue that our survey reveals: A sizable fraction of plan participants who own TDFs are *entirely unaware that such funds exist* and therefore could have no idea what risks are—or are not—involved. These participants rely entirely on the fiduciary decisions of the plan sponsor.[6] Any debate about the proper design of TDFs should involve a careful assessment of the needs of this very important constituency.

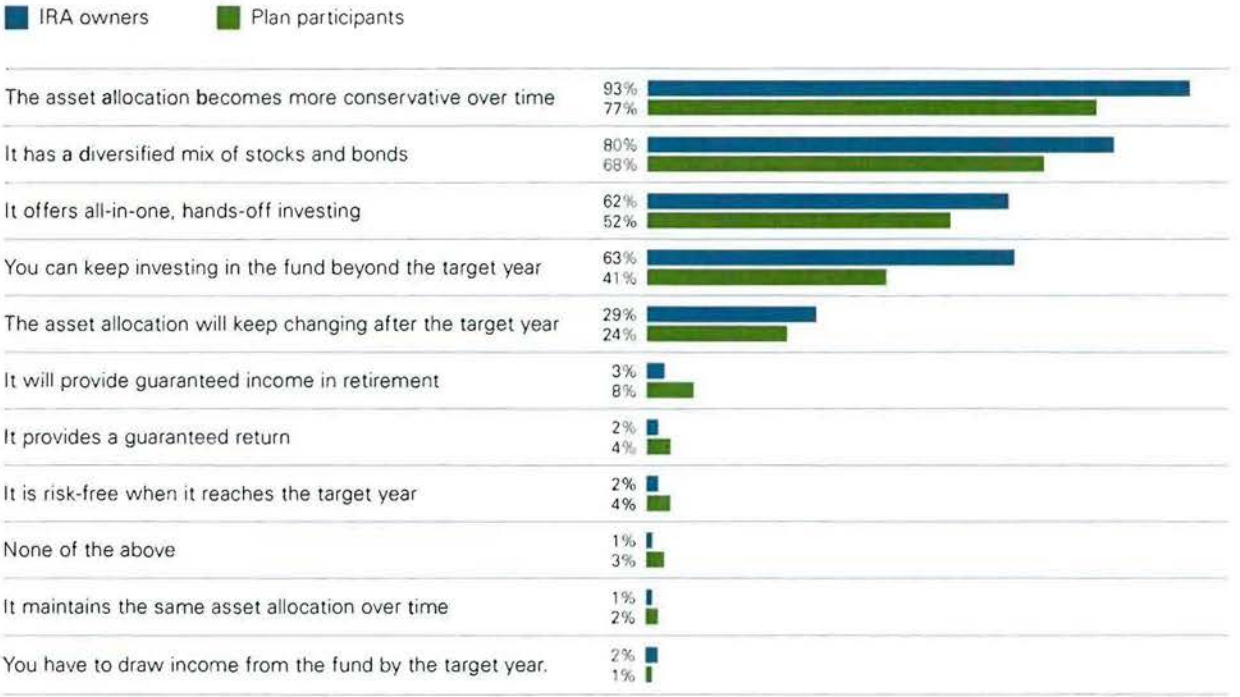
For our goal of dissecting investors' understanding of TDFs, there was nothing to be gained by questioning those who had never heard of such funds, even if they happened to own one. We therefore focus most of the following analysis on the large group of respondents who claim to have at least heard of TDFs, and may therefore have either correct or incorrect impressions about them.

5 For further discussion, see *How America Saves 2010: A Report on Vanguard 2009 Defined Contribution Plan Data* (Vanguard, 2010).

6 These participants also may not have clear impressions of the other investment options available to them in their plans.

Figure 3. Which of these are true about target-date funds? (Select all that apply)

TDF shareholders only



Comprehension

Most investors who are aware of target-date funds appear to grasp the most fundamental TDF objectives and design features. To gauge the knowledge of TDF shareholders, we offered a series of statements about TDFs and asked them to select all the ones they believed to be true. **Figure 3** shows the responses categorized in three broad groups: basic construction, belief in guarantees, and significance of the target date. In general, responses of IRA owners and plan participants were much alike; there were small differences that varied from question to question with no apparent pattern. Among the plan participants, we saw small, statistically insignificant differences in responses among age groups.[7]

Basic construction

TDF owners overwhelmingly appear to understand that they are invested in a balanced mix of stocks and bonds that becomes more conservative as the target year approaches. One of the often-cited benefits of TDFs is that they offer an all-in-one, hands-off approach to investing (this does not imply that investors should not periodically monitor their portfolios). Although many respondents believe this description applies to TDFs, three-eighths of IRA owners and almost half of plan participants did not (38% and 48%, respectively).

Less than 2% of respondents believed, incorrectly, that the funds maintain the same asset allocation over time.

Belief in guarantees

The data clearly show that very few investors hold the incorrect belief that TDFs provide a guaranteed return (see **Figure 3**). In addition, only 3% of IRA owners and less than 8% of plan participants believed the false statement that a TDF would provide guaranteed income in retirement.

7 Plan participants were split into two age groups, investors younger than 55 and those who were 55 or older.

Figure 4. When a TDF reaches its target date, which one of these happens to the assets in that fund?

TDF shareholders only

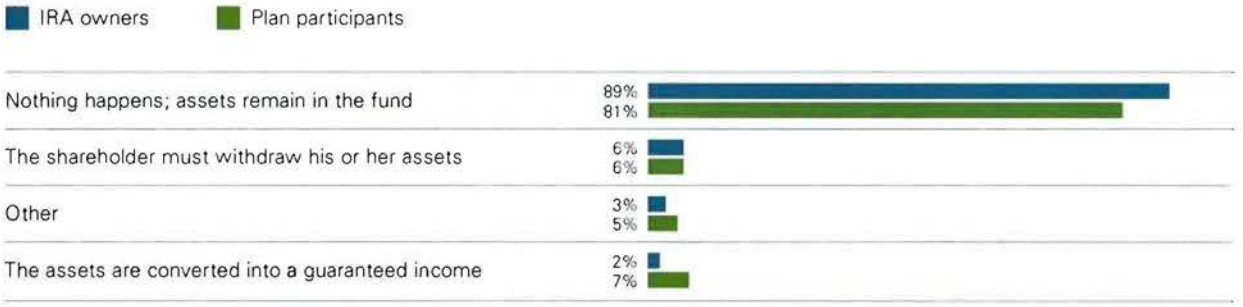
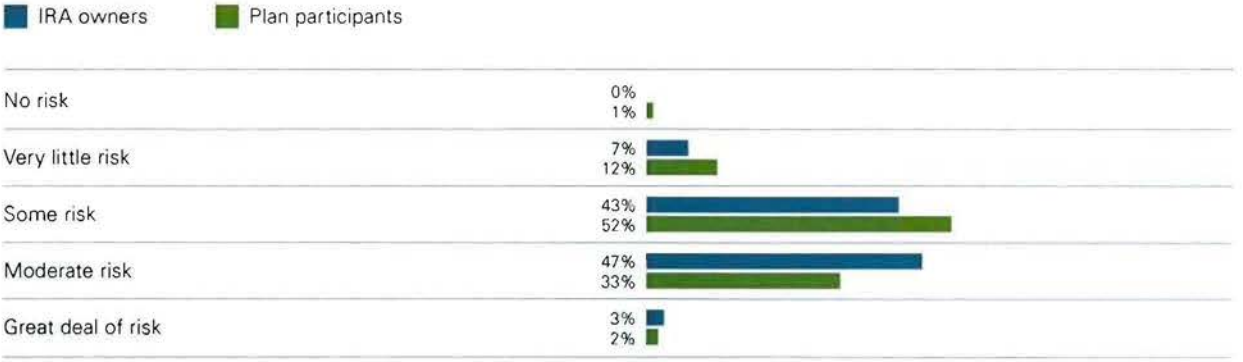


Figure 5. In regard to overall risk, how would you describe a target-date fund to a friend?

TDF shareholders only



The significance of the target date

Less than 4% of TDF shareholders believed, incorrectly, that a target-date fund would be risk-free by the time it reaches its target year. However, other aspects of fund mechanics at and after the target date do not appear widely understood: For example, less than one-third of respondents believed that the fund's allocation will continue to change after the target year.[8]

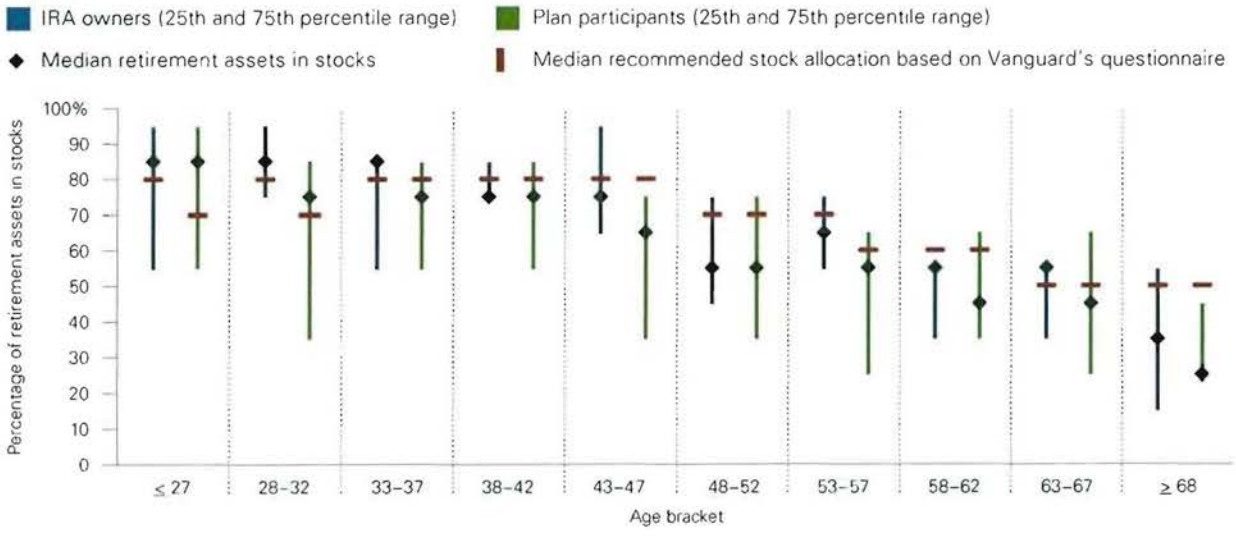
Despite this apparent lack of knowledge, when TDF owners were given mutually exclusive choices regarding fund assets at the target year, their responses reflected significantly better understanding. As **Figure 4** shows, the vast majority correctly responded that the fund would continue to hold investors' assets beyond its target year. Only a small fraction of TDF owners believed wrongly that fund assets would be converted into a guaranteed source of income at the target date.

Risk

Investors' awareness of risk is of keen interest to both the industry and regulators. The survey responses indicate that most investors who own TDFs do know that the funds involve risk. Furthermore, nearly 90% of IRA owners and 85% of plan participants would describe TDFs as having at least "some" or "moderate" risk (see **Figure 5**). Less than 1% of IRA owners and plan participants believed that TDFs have no risk at all.

8 Most providers of target-date funds continue to change their asset allocation through the target year.

Figure 6. What fraction of your retirement assets are in stocks?



Source: Vanguard.

Stock market exposure

The survey went beyond measuring simple, broad awareness of risk. We asked respondents who owned TDFs—including the "unaware" owners—what they believed to be true about the overall stock exposure of their retirement portfolios.

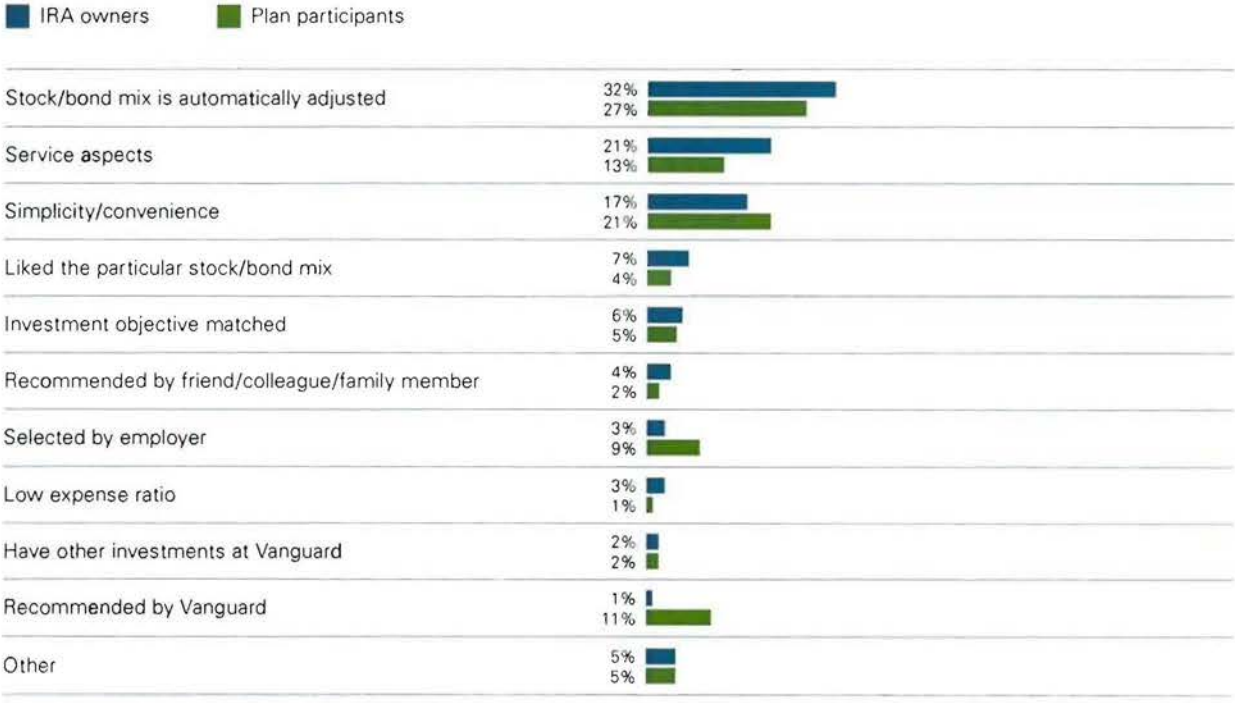
As shown in Figure 6, at the median IRA owners aged 47 or less reported that slightly more than 70% of their retirement assets were in stocks; those aged 68 or above reported about 30% in stocks. Plan participants showed similar patterns, with slightly lower overall exposure to stocks; investors in the oldest group reported overall stock exposure of 20%–30% at the median. Although we cannot gauge the accuracy of our respondents' estimates, these data do suggest broad awareness of stock market exposure throughout the investing lifecycle, including the years up to and through retirement.

Figure 6 also shows the levels of stock exposure that Vanguard might propose based on the median data for different age groups in our sample. To obtain this data, the survey included Vanguard's Investor Questionnaire,[9] an online tool that suggests an overall stock/bond allocation to individuals on the basis of their answers to questions about risk tolerance and other key characteristics and attitudes. For each age group, we took the median recommended stock allocation. As shown in the figure, these allocations varied across the groups but include significant amounts of equity exposure at all ages.[10] Furthermore, the data show broad consistency among TDF glidepath design, individuals' risk tolerance, and current stock exposure in retirement accounts.

9 Available at vanguard.com/iqoverview.

10 The only large differences between the IRA owner and plan participant populations appear among the youngest age groups; however, we caution that the sample sizes are smallest for these groups.

Figure 7. What is the main reason you decided to invest in a target-date fund?



As would be expected, an individual's age significantly affects allocation results from the online Investor Questionnaire. Once we controlled for age differences, the recommended equity allocations were quite similar across all groups surveyed. We also did additional analysis that found very similar levels of risk tolerance among TDF holders and nonholders among our groups of IRA owners and plan participants. The data are consistent with the notion that there is no dramatic difference in the average risk tolerance of TDF investors relative to other investors.

The decision-making process

The survey also allows us to explore why investors chose TDFs and how they view the role of TDFs in their portfolios, including why they may "mix" a target-date fund with other investments or hold multiple TDFs.

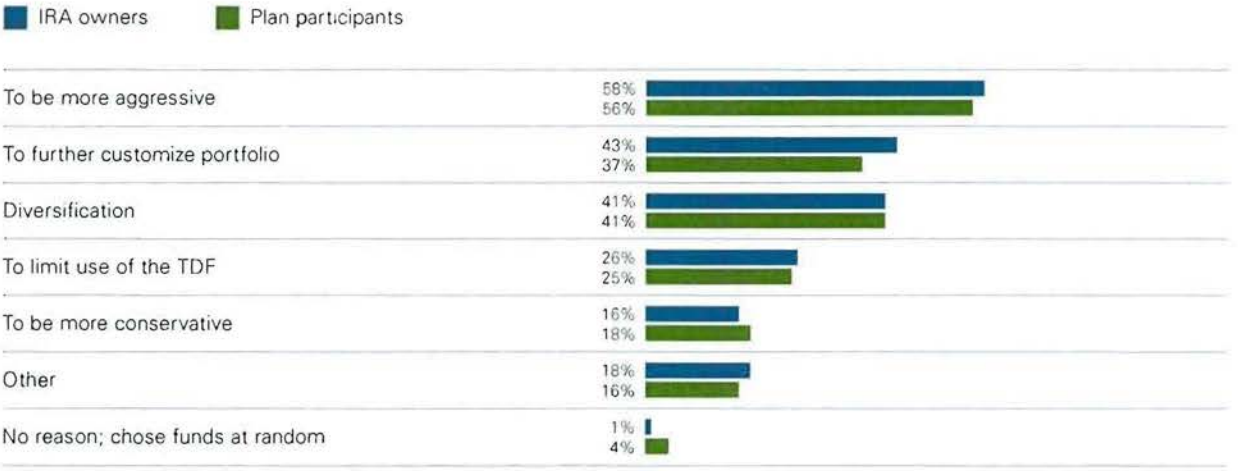
Why investors choose TDFs

When asked their main reason for investing in a target date fund, more than 70% of IRA owners and 61% of participants chose service-related answers, including the automatic rebalancing and reallocation, simplicity, and convenience (**Figure 7**). A minority selected a TDF on the basis of a recommendation or because of an employer's selection—although these reasons were cited by a higher percentage of plan participants, highlighting once again the influential role of plan sponsors.

"Mixed" investors

TDFs are generally designed to serve as an all-in-one portfolio containing broadly diversified exposure to major asset classes. Nevertheless, there are sound reasons why investors might mix other assets with a TDF in their retirement accounts, and many do. Among plan participants with accounts at Vanguard,

Figure 8. Why do you own other funds along with the target-date fund? (Select all that apply)



at the end of 2009, 54% of those who held a TDF in their account also held either another type of investment or another TDF (Vanguard, 2010).

Our survey did ask why investors would *choose* to be mixed TDF owners, but it is important to recognize that such situations often do not arise from choice in the context of a DC plan. Recent research at Vanguard has shown that in 45% of cases, plan participants hold mixed portfolios as a result of the plan's design or an action on the part of the plan sponsor (Pagliaro and Utkus, 2010).

Figure 8 presents reasons that our respondents—both IRA owners and plan participants—gave for holding mixed portfolios. Large percentages reported that they held other assets to be more conservative or more aggressive in their portfolio allocation. Many said they wanted to customize their portfolios beyond what TDFs provided. Only a tiny minority—1% of IRA owners and 4% of plan participants—reported (or were willing to admit) that they "chose at random."

About 40% cited "diversification" as a motive for adding one or more other investments to a TDF. This thinking warrants further research. Given that target-date funds are broadly diversified by nature, there is probably little diversification benefit to be gained from additional fund exposure. It may be that many TDF owners equate "diversification" with risk reduction, as opposed to the stricter meaning of obtaining the highest return for a given level of risk (or the lowest level of risk for a given return). They may believe that adding a bond, stable value, or money market fund "diversifies" the risk of the target date fund, when in reality this action, in general, merely lowers expected return and risk. For others, "diversification" may simply mean investing in products from more than one provider. Further probing investors' understanding of diversification and, perhaps, learning how it might be clarified is an important topic for further research.

A small number of survey respondents owned more than one TDF in their retirement portfolios. Such investors are also a small part of the overall TDF-owning population: at Vanguard, only 8% of plan participants who own a TDF have more than one of them (Vanguard, 2010). In our survey, within the small group of multi-TDF-owning participants, a relatively high percentage said they believed holding two TDFs would provide them with diversification benefits (**Figure 9**)—raising the same concerns discussed above.

Figure 9. Why did you decide to invest in more than one target-date fund?

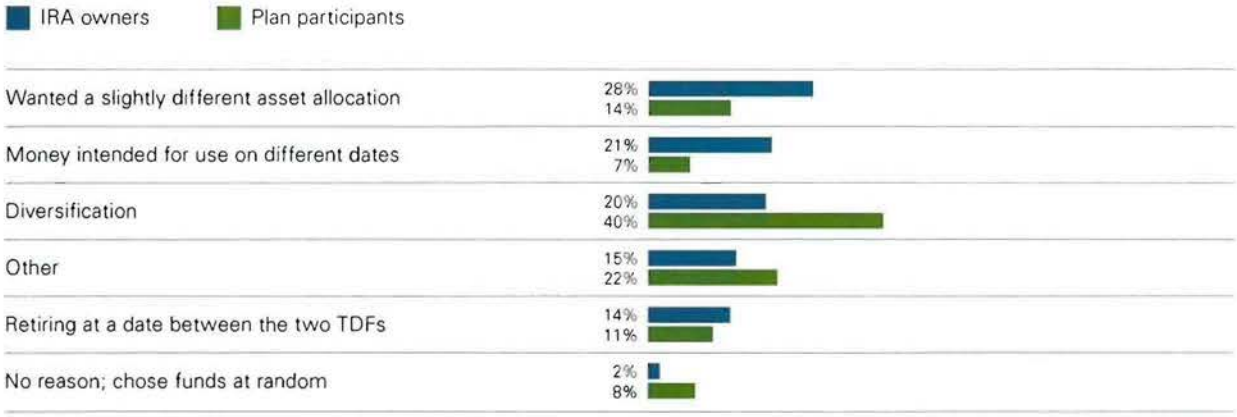
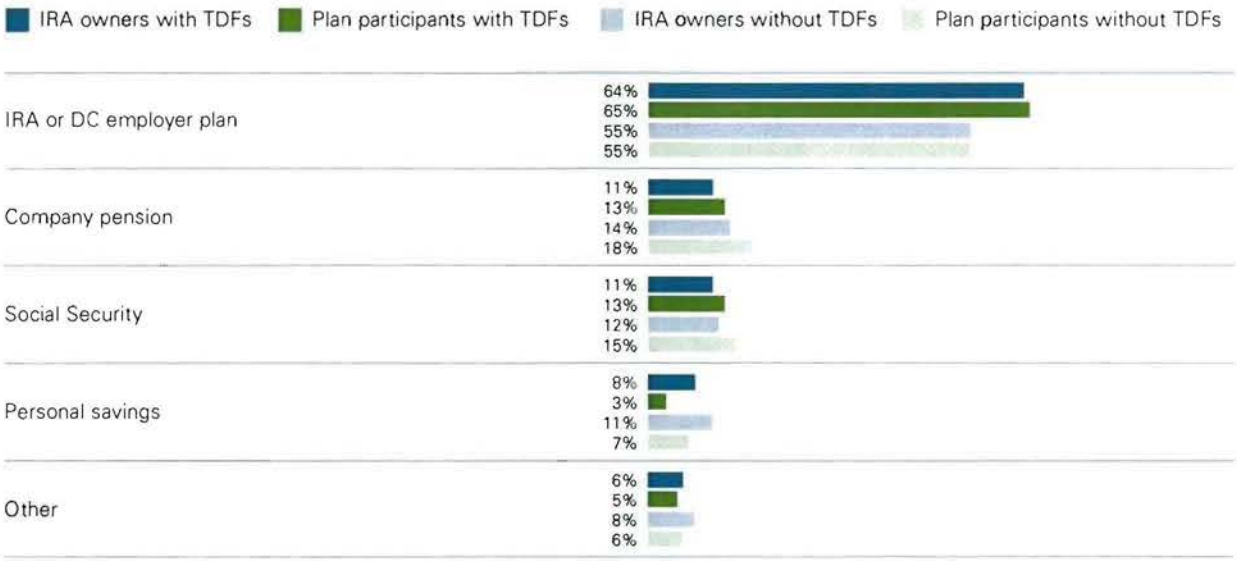


Figure 10. What do you expect to be your primary source of retirement income?



TDFs and retirement

It is well known that the retirement landscape has been gradually shifting as many companies move away from defined benefit plans and gravitate toward defined contribution plans. As shown in **Figure 10**, most respondents believe that their IRA or 401(k) will be their primary source of retirement income. In fact, among the TDF shareholders in our survey, 64% of IRA owners and 65% of plan participants expect to fund their retirement primarily from their IRA or DC plan accounts. Most non-TDF owners also plan to rely on these accounts, but a relatively higher percentage of non-owners expect a pension plan to be their primary source of retirement income. In addition, respondents who did not own TDFs were more likely than the others to plan to tap their personal savings to fund their retirement.

Figure 11. When you retire, which of these will you most likely do with your target-date fund assets?

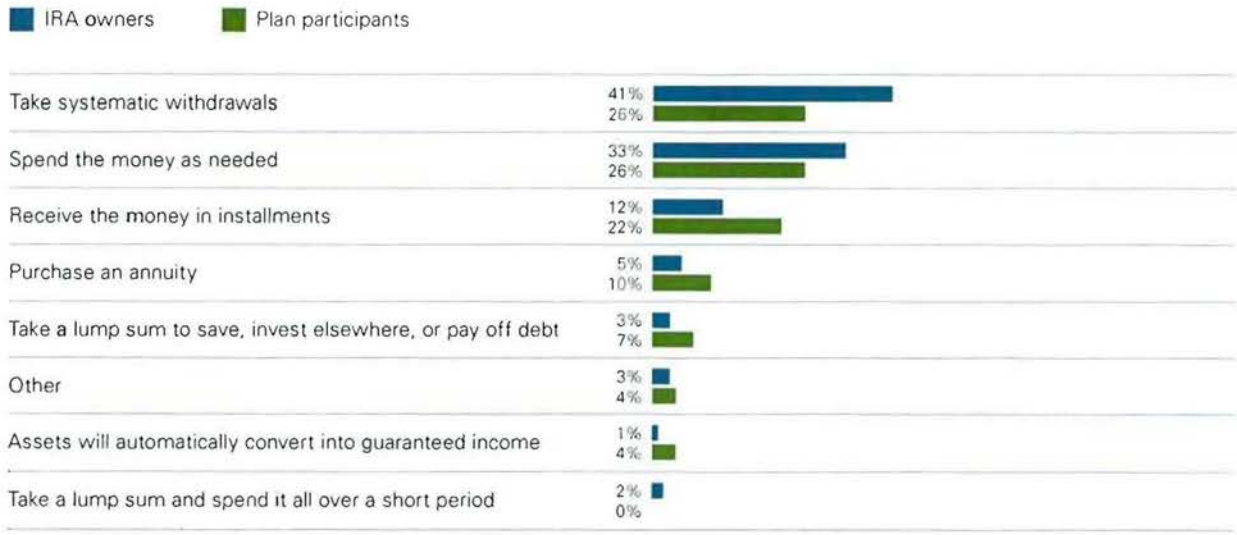
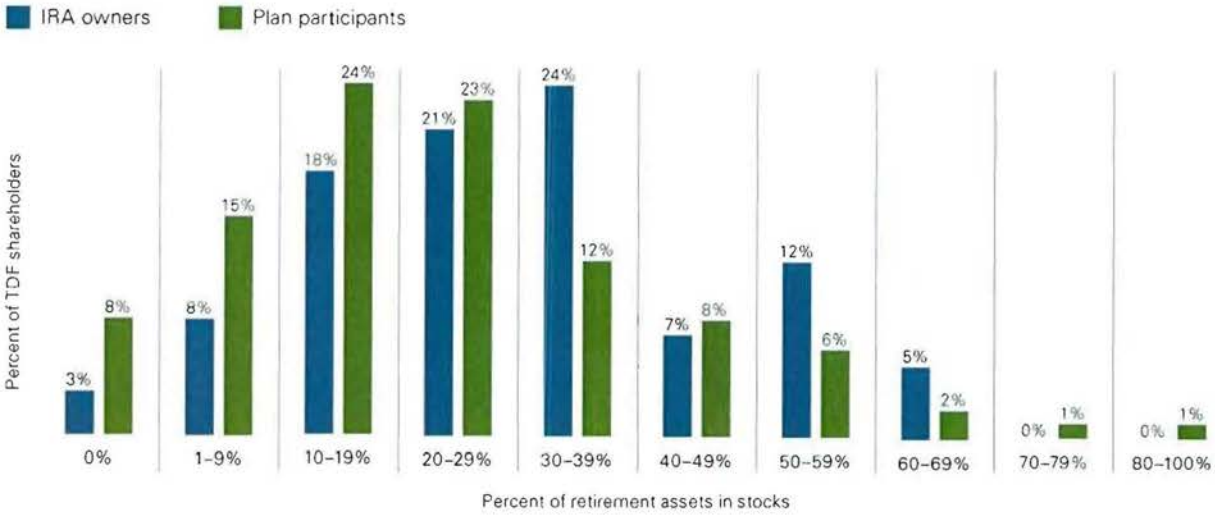


Figure 12. What fraction of your retirement assets do you plan to invest in stocks when you reach retirement?

TDF shareholders only



What do investors plan to do with their TDF assets at retirement? As **Figure 11** shows, most of the TDF shareholders in our survey appeared comfortable with making their own asset withdrawal decisions once they retire, saying they would take systematic withdrawals, "spend it as needed," or "receive in installments." Most respondents do not plan to use their TDF money to purchase an annuity; only about 10% of plan participants and 5% of IRA owners reported such an intention.[11]

Consistent with an intention to remain invested after retirement, the survey showed that most TDF investors expect to retain at least some exposure to equities when they retire (**Figure 12**). This is also consistent with the design of most TDFs.

Conclusion

The findings of our 2010 survey of Vanguard investors help improve our understanding of investors' knowledge and usage of TDFs.

We found that among aware TDF owners, the overall objective and basic design of the funds are well understood; however, an opportunity exists to improve understanding of the significance of the target date and the mechanics of the funds as they reach and move beyond the target date.

The survey also finds that aware investors generally exercise at least a moderate degree of judgment in selecting their retirement investments, and that a vast majority do not select their funds at random. However, as is the case with TDF comprehension, it is incumbent on providers and plan sponsors to help deepen investor knowledge regarding portfolio construction.

Finally, the survey validates that the design of TDFs—including an equity allocation at and beyond the target date—is generally well matched to investors' retirement expectations. While specific equity allocations have been—and will continue to be—debated, the survey finds that investors are indeed comfortable with, and expect to hold, equities at retirement.

Taken together, these results provide a solid, empirically founded basis for sponsors and providers to further enhance education and communication materials and strategies in order to improve both investor comprehension and the overall effectiveness of target-date funds.

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11 These responses appear to be consistent with investor behavior with respect to rollovers at retirement and investor withdrawal patterns from IRAs. For further discussion, see Investment Company Institute IRA Owners Survey, 2009.

Figure A-1. Respondent demographics: "Pure" and "mixed" TDF shareholders

	IRA owners		Plan participants	
	Pure	Mixed	Pure	Mixed
Number of respondents	505	686	841	1,002
Percentage male	61%	68%	53%	62%
Average age	42	48	40	44
Number of people under the age of 18 living in household	0.63	0.48	0.65	0.78
Percentage of respondents who are married	66%	69%	58%	67%
Percentage who have never been married	21%	17%	21%	16%
Percentage who are retired (*)	10%	15%	2%	2%
For retirees, average age at retirement	59	59	58	60
For nonretirees, average planned retirement age	63	63	63	63
Percentage of respondents who never want to retire	2%	3%	2%	3%
Percentage who will never be able to retire	3%	1%	7%	6%
Percentage who do not know when they will be able to retire	32%	24%	40%	31%
Income bracket				
< $39,999	12%	8%	20%	12%
$40,000–$59,999	16%	12%	24%	16%
$60,000–$74,999	13%	11%	14%	12%
$75,000–$99,999	17%	16%	14%	21%
$100,000–$199,999	29%	34%	20%	28%
> $200,000	7%	8%	3%	5%
Decline to answer	6%	11%	4%	6%
Household's total investable assets				
<$49,999	24%	8%	45%	27%
$50,000–$99,999	13%	9%	15%	15%
$100,000–$149,999	9%	10%	8%	12%
$150,000–$249,999	12%	13%	8%	10%
$250,000–$499,999	14%	19%	8%	11%
$500,000–$999,999	7%	17%	2%	9%
>$1,000,000	8%	10%	2%	5%
Decline to answer	12%	15%	12%	12%
Employment situation				
Full-time	61%	63%	89%	89%
Part-time	9%	5%	5%	2%
Self-employed	11%	10%	1%	1%
Retired (*)	7%	11%	1%	2%
Not employed	2%	4%	2%	5%
Disabled, student, or stay-at-home spouse/partner	10%	6%	1%	1%
Sources of retirement income				
Social Security	75%	86%	78%	80%
Company pension or other defined benefit plan	40%	43%	39%	47%
401(k), 403(b) or a similar employer-sponsored retirement account	72%	76%	92%	95%
Individual retirement accounts (IRAs)	91%	91%	39%	43%
Personal savings	72%	75%	57%	59%
Cash payout from an insurance policy	3%	3%	3%	4%
Money from the sale of a home or business	14%	16%	11%	14%
Inheritance	15%	18%	12%	13%
Annuity	10%	11%	8%	8%
Other source	8%	9%	10%	13%

*The same question is asked twice in two different contexts.

Note: Data based on Vanguard account holdings at the time of the survey

Source: Vanguard.

Figure A-2. Respondent demographics: TDF shareholders and nonshareholders

	IRA owners		Plan participants	
	Shareholders	Nonshareholders	Shareholders	Nonshareholders
Number of respondents	1,141	363	1,083	573
Percentage male	61%	74%	65%	70%
Average age	46	54	42	47
Number of people under the age of 18 living in household	0.63	0.52	0.70	0.71
Percentage of respondents who are married	74%	78%	66%	71%
Percentage who have never been married	15%	12%	20%	16%
Percentage who are retired (*)	13%	35%	2%	7%
For retirees, average age at retirement	59	59	60	59
For nonretirees, average planned retirement age	63	63	63	63
Percentage of respondents who never want to retire	2%	2%	3%	4%
Percentage who will never be able to retire	3%	2%	3%	4%
Percentage who do not know when they will be able to retire	25%	19%	29%	30%
Income bracket				
< $39,999	5%	7%	10%	7%
$40,000–$59,999	14%	12%	17%	17%
$60,000–$74,999	13%	12%	12%	11%
$75,000–$99,999	17%	15%	20%	18%
$100,000–$199,999	35%	32%	28%	30%
> $200,000	7%	11%	6%	9%
Decline to answer	8%	11%	6%	8%
Household's total investable assets				
<$49,999	17%	8%	29%	16%
$50,000–$99,999	6%	7%	14%	12%
$100,000–$149,999	6%	6%	11%	9%
$150,000–$249,999	15%	7%	12%	11%
$250,000–$499,999	18%	18%	12%	18%
$500,000–$999,999	17%	20%	8%	11%
>$1,000,000	8%	21%	4%	8%
Decline to answer	14%	13%	10%	14%
Employment situation				
Full-time	59%	47%	90%	85%
Part-time	11%	5%	3%	3%
Self-employed	9%	8%	1%	2%
Retired (*)	8%	28%	2%	5%
Not employed	7%	5%	2%	3%
Disabled, student, or stay-at-home spouse/partner	7%	6%	2%	1%
Sources of retirement income				
Social Security	85%	86%	80%	85%
Company pension or other defined benefit plan	56%	49%	47%	55%
401(k), 403(b) or a similar employer-sponsored retirement account	80%	67%	96%	95%
Individual retirement accounts (IRAs)	94%	91%	51%	49%
Personal savings	76%	83%	67%	63%
Cash payout from an insurance policy	1%	3%	3%	4%
Money from the sale of a home or business	12%	13%	13%	14%
Inheritance	16%	19%	13%	14%
Annuity	10%	13%	8%	10%
Other source	6%	11%	10%	11%

*The same question is asked twice in two different contexts.

Note: Data based on respondents' overall portfolio

Source: Vanguard, 2010.

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