

Please note that the comments expressed herein are solely my personal views

Securities and Exchange Commission
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- **17 CFR Parts 230 and 270**
- **File No. S7-12-10**
- **Investment Company Advertising: Target Date Retirement Fund Names and Marketing**

Dear Sir,

Thank you for giving us the opportunity to comment on your proposed rule: Investment Company Advertising: Target Date Retirement Fund Names and Marketing.

The SEC is reopening the period for public comment on amendments it originally proposed in Securities Act Release No. 9126 to allow interested persons to submit comments on the results of investor testing regarding target date retirement funds (TDFs). The rule proposal would, if adopted, require a TDF that includes the target date in its name to disclose the fund's asset allocation at the target date immediately adjacent to the first use of the fund's name in marketing materials; require marketing materials for TDFs to include a table, chart or graph depicting the fund's asset allocation over time, together with a statement that would highlight the fund's final asset allocation; require a statement in marketing materials to the effect that a TDF should not be selected based solely on age or retirement date, is not a guaranteed investment, and the stated asset allocations may be subject to change; and provide additional guidance regarding statements in marketing materials for target date retirement funds and other investment companies that could be misleading.

I am generally in favour of targeted, increased disclosure where it can be shown, or it is expected, that this would be beneficial to current and potential investors. The proposed disclosures should be helpful to investors, in that they should help to manage expectations regarding the asset allocation strategy and how this could change over time.

The perception, expectation and information gap

In the absence of specialised training or knowledge, or receiving more detailed and complete disclosures, we assume that a potential investor in a TDF has the following characteristics:

- 1) it chooses the fund to meet its retirement needs based on the date contained in the fund name;
- 2) it assumes that the fund will be invested most conservatively at the target date;
- 3) it assumes that all funds that have the same date contained in the fund name will invest similarly and according to a uniform asset allocation strategy.

Clearly this is not the case in practice, and I agree that either more detailed and complete disclosure or greater regulation of TDFs is required in order to better manage investors' expectations concerning TDFs and their suitability to meet varying retirement needs. This should therefore allow investors to make more informed decisions and to improve their confidence in their investment choices.

The results of investor testing regarding TDFs generally indicated that participants who viewed documents containing the glide path disclosure answered more questions correctly.¹ This tends to support the usefulness of the proposed disclosures.

Proposed rules

I would recommend one wording change to proposed § 230.482(b)(5)(ii)(B) by adding: "and does not guarantee an adequate retirement income," after the word "guaranteed", as this will better manage investors' reasonable expectations concerning possible returns from their investment in a TDF.

Yours faithfully

C.R.B.

Chris Barnard

¹ See responses to Q21-34 (slides 49-62) in the consultant's report "Investor Testing of Target Date Retirement Fund Comprehension and Communications", available at: <http://www.sec.gov/comments/s7-12-10/s71210-58.pdf>