File Number: S7-12-10

Many people likely to invest in so called 'Target Date Funds' will be persons looking to diversify their retirement funds but who do not necessarily have the expertise to do so themselves. On the contrary, those who would have a sufficient knowledge of the stock market, bonds market, futures market, etc., would find it expedient to manage their funds themselves. Most people lack the knowledge and spare time to effectively manage their own investments and therefore rely on target date funds. The recommendation of the Investor Advisory Committee to develop a glide path illustration is a very useful idea that will help investors understand the risk associated with certain target date funds.

I believe the best option is to incorporate both a glide path illustration and the proposed amendments to rule 482 under the Securities Act of 1933 and rule 34b-1 under the Investment Company Act of 1940. Those proposed amendments would require certain marketing materials for target date funds to include a table, chart, or graph depicting the fund's asset allocation over time. I agree with the Committee's concerns that merely including a chart of some type that shows investors the fund's asset allocation (i.e. how the fund shifts to become more conservative as the target date approaches) will be insufficient to allow investors to fully appreciate the risk they are undertaking. For one thing, the Committee is correct in saying that depending on how broadly some terms (i.e. stock, money-market) are defined, the actual risk could get lost in a pie chart that merely shows that by X date 1/3 of your investment will be held in bonds. There are many different types of bonds, futures, CDs, etc. that carry varying levels of risks. While it may be extremely difficult to quantify risk as a number, the Commission would be wise to do so with as much of the prevailing data on the types of investments involved as feasible.

The Commission is also asking whether required risk measures should be based on a standardized methodology or methodologies developed by the Commission. The Commission should develop risk measures based on standardized methodology that can be applies across the board to target date funds. By doing so, investors will get the original benefit of seeing a table or chart of the fund's asset allocation, but also get perspective on how volatile or safe one fund is as compared with another. For many investors, if you told them simply that the fund allocation on X date would be 25% stocks 25% bonds 25% futures and 25% options, this may sound very diverse. Whether it is conservative or aggressive, however, would be difficult, if not impossible, to discern, from a mere pie chart with four equal sections. In summary, a risk measure based on standardized methodology would allow for more insight into just how risky a particular target fund really is, at least comparatively.

Finally, the Commission requests comments on the impact such disclosures would have on investors. I believe the impact would be significant, and in some cases, crucial in the decision making process. To most people, the way that a certain fund operates is completely foreign. Most people could not tell you what a mutual fund is or what an option or a future is. But what people can understand is risk assessment that is comparative in nature. If Person A knows nothing about the stock market, but the Commission tells them that stock A is extremely conservative with a high stability but low reward potential and stock B is five times riskier with five times the potential return, Person A could at least decide whether he preferred a more conservative or a more aggressive investment. While I have no idea what the best way to standardize such a rating is, this could be developed by the Commission into a powerful tool for investors. When people see the interest rates played on in scenarios and examples on their credit card statement or loan disclosure, they are able to comprehend the risk much more easily than simply reading that such a card or loan carries an "8% variable APR". Same goes for investments. A combination of some kind of chart of asset allocation, along with a glide path illustration of risk measures, would serve investors well.