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Target Date Funds: Benefits and Disadvantages

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Target date (i.e., lifecycle) funds are increasing in popularity, particularly among unsophisticated investors. These funds provide key benefits, as they automatically rebalance through time and also generally limit return chasing. Given the dollar cost averaging effect, the result may also be a higher (dollar-weighted) average return. On the downside, the target date funds may choose underlying funds in each category that benefit the fund family more than the investor. However, for most investors, the benefits would generally outweigh the potential disadvantages. [See article here, WSJ.](#)

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