

Percent of Participants Holding a Lifestyle Fund

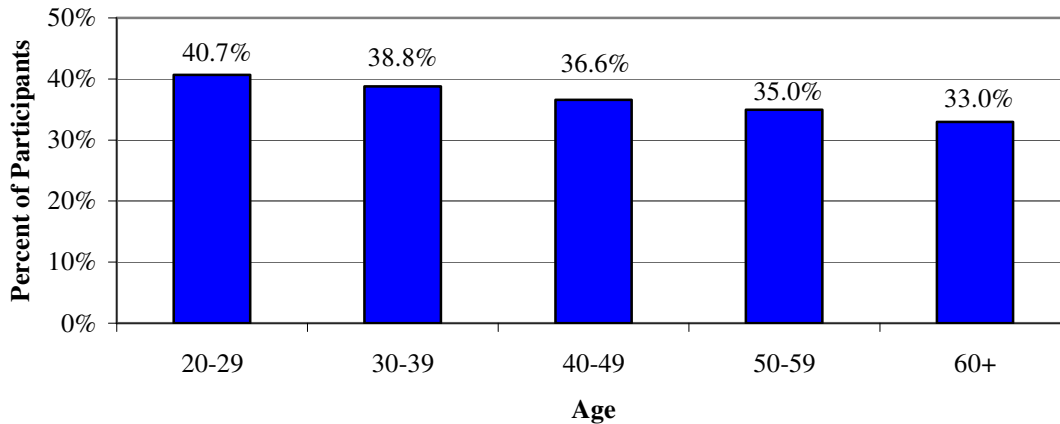
Across Universe: 37.1 percent hold a lifestyle fund

1,016,955 participants considered

Thirty-eight percent of plans in the universe offered lifestyle funds, or diversified premixed portfolios, in 2003. A key reason that plan sponsors offer lifestyle funds in defined contribution plans is to afford participants a simple way to achieve a well-diversified portfolio with their plan balances. With a lifestyle fund, participants can merely select the diversified premixed portfolio that matches their needs and circumstances. This eliminates the need for the participant to develop a diversified mix of funds on his or her own, or to rebalance on an ongoing basis.

When lifestyle funds are available in defined contribution plans, more than one in three active participants hold them on average. This proportion varies dramatically by plan based on how long the lifestyle funds have been available, the communication around lifestyle funds, demographics of the plan, etc. Younger, shorter-tenure participants are the most likely to use lifestyle funds—suggesting that, as intended, they appeal to the less experienced 401(k) investor.

Percent of Participants Holding A Lifestyle Funds—by Age



**Percent of Participants
Holding a Lifestyle Fund—
by Salary**

Salary	Percentage of Participants
<\$20,000	26.1%
\$20,000–\$39,999	40.6%
\$40,000–\$59,999	42.9%
\$60,000–\$79,999	44.0%
\$80,000–\$99,999	47.9%
\$100,000+	45.6%

Note: Salary data is not available for all employees.

**Percent of Participants
Holding a Lifestyle
Fund—by Tenure**

Tenure	Percentage of Participants
0–1	47.9%
1–2	39.7%
2–3	38.6%
3–4	40.2%
4–5	39.7%
5–6	38.7%
6–10	39.4%
10–20	38.2%
20–30	34.4%
30+	28.3%

**Percent of Participants
Holding a Lifestyle
Fund—by Gender**

Gender	Percentage of Participants
Female	38.7%
Male	35.0%

Percent of Participants Holding a Lifestyle Fund—by Balance

Balance	Percentage of Participants
< \$10,000	34.9%
\$10,000–\$19,999	40.7%
\$20,000–\$29,999	39.5%
\$30,000–\$39,999	38.5%
\$40,000–\$49,999	37.7%
\$50,000–\$59,999	36.8%
\$60,000–\$69,999	36.6%
\$70,000–\$79,999	35.8%
\$80,000–\$89,999	36.0%
\$90,000–\$99,999	36.5%
\$100,000+	37.1%

Percent of Participants Holding a Lifestyle Fund—by Age and by Salary

Age	Salary					
	< \$20,000	\$20,000–\$39,999	\$40,000–\$59,999	\$60,000–\$79,999	\$80,000–\$99,999	\$100,000+
20–29	12.6%	42.5%	49.4%	44.0%	57.3%	48.9%
30–39	25.5%	40.4%	45.7%	45.9%	49.3%	45.4%
40–49	28.6%	39.8%	42.0%	44.7%	47.9%	46.4%
50–59	33.4%	40.2%	38.4%	40.6%	44.9%	44.5%
60+	30.9%	41.2%	40.9%	42.8%	51.8%	45.7%

Note: Shaded areas highlight those demographic groups with fewer-than-average participants holding lifestyle funds. Salary data is not available for all employees.

Percent of Participants Holding a Lifestyle Fund—by Age and by Tenure

Age	Tenure									
	0–1	1–2	2–3	3–4	4–5	5–6	6–10	10–20	20–30	30+
20–29	50.4%	41.8%	39.7%	39.7%	39.0%	39.2%	41.7%	51.5%	n/a	n/a
30–39	48.5%	41.4%	39.7%	41.7%	40.6%	38.5%	38.6%	38.4%	36.0%	n/a
40–49	46.0%	37.5%	37.9%	40.3%	39.4%	38.9%	39.6%	37.8%	34.2%	27.6%
50–59	45.5%	36.4%	36.5%	38.4%	40.8%	38.7%	40.4%	38.9%	34.2%	27.8%
60+	40.1%	32.2%	28.1%	32.8%	34.6%	36.3%	37.1%	36.8%	36.2%	30.0%

Note: Shaded areas highlight those demographic groups with fewer-than-average participants holding lifestyle funds. Salary data is not available for all employees.

Lifestyle Fund Utilization

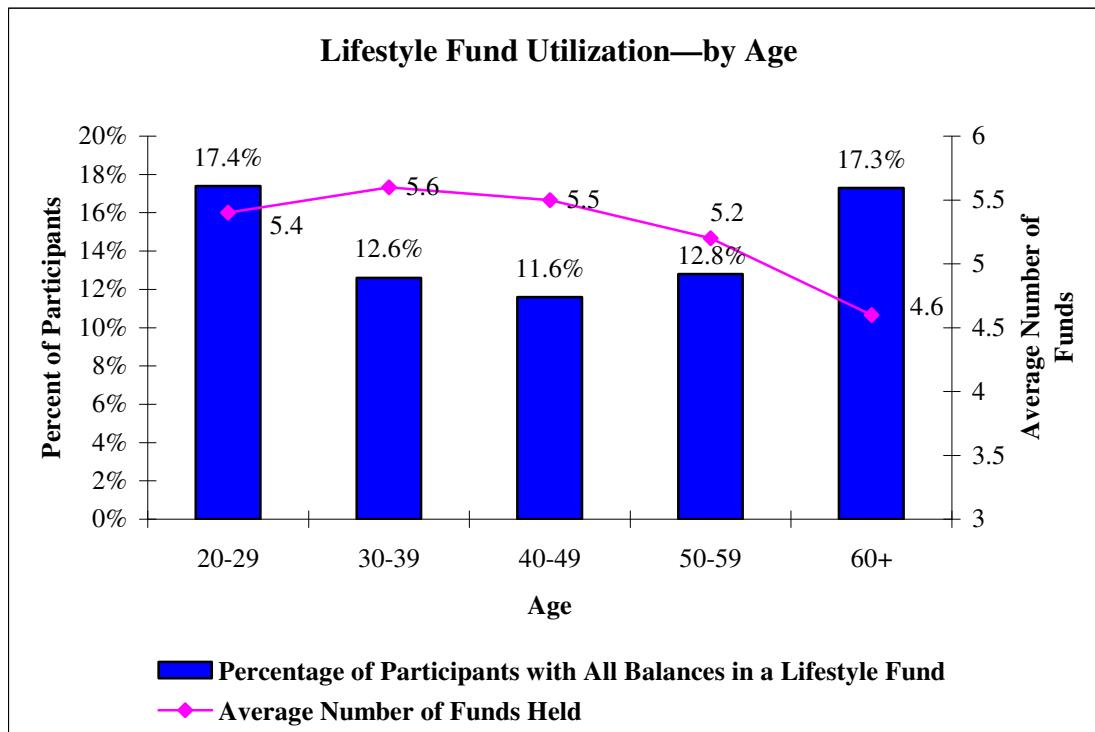
Percentage of Participants With All Balances in a Lifestyle Fund: 13.2 percent

Average Number of Funds Held: 5.4

377,674 participants considered

This analysis examines how many participants use lifestyle funds as a turnkey solution. In this analysis, the percent of participants investing 100 percent of their balances in a lifestyle fund is calculated. Because participants sometimes view company stock as an important investment apart from the rest of their defined contribution portfolio—and because certain plan sponsors may restrict diversification of the match in company stock—company stock is not considered in this analysis. The analysis shows that only 13.2 percent of participants with lifestyle funds have all of their non-company stock balances in a single lifestyle fund, suggesting that few participants understand or accept the role of a lifestyle fund as a turnkey solution. In some cases, it may be that participants are directing all of their future contributions to lifestyle funds—but are failing to rebalance existing balances to match. Still, only 20 percent of participants direct even all of their **future contributions** to a single lifestyle fund.

Indeed, the average participant with defined contribution balances in lifestyle funds holds an average of 5.4 funds—higher than the average number of funds across all participants (4.1). High-salary and high-balance participants holding a lifestyle fund also hold another 5 funds on average. This potentially signals that their zeal to have a well-diversified portfolio is not matched with an in-depth understanding of the funds available to them. Alternatively, such investors may be fine-tuning the lifestyle fund with other investments in order to meet their personal needs and circumstances.



Lifestyle Fund Utilization—by Salary

Salary	Participants With All Balances in a Lifestyle Fund	Average Number of Funds Held
<\$20,000	17.5%	4.2
\$20,000–\$39,999	15.5%	4.8
\$40,000–\$59,999	11.2%	5.5
\$60,000–\$79,999	8.9%	5.8
\$80,000–\$99,999	7.6%	5.8
\$100,000+	6.7%	6.2

Note: Salary data is not available for all employees.

Lifestyle Fund Utilization—by Tenure

Tenure	Participants With All Balances in a Lifestyle Fund	Average Number of Funds Held
0–1	25.7%	4.5
1–2	21.7%	4.9
2–3	18.8%	5.1
3–4	15.8%	5.2
4–5	15.0%	5.4
5–6	14.0%	5.5
6–10	13.1%	5.4
10–20	8.8%	5.7
20–30	6.2%	5.8
30+	6.2%	5.5

Lifestyle Fund Utilization—by Gender

Gender	Participants With All Balances in a Lifestyle Fund	Average Number of Funds Held
Female	15.8%	5.1
Male	11.2%	5.6

Lifestyle Fund Utilization—by Balance

Balance	Participants With All Balances in a Lifestyle Fund	Average Number of Funds Held
<\$10,000	26.4%	4.3
\$10,000–\$19,999	14.8%	5.0
\$20,000–\$29,999	10.0%	5.5
\$30,000–\$39,999	7.7%	5.8
\$40,000–\$49,999	6.6%	5.9
\$50,000–\$59,999	5.7%	6.1
\$60,000–\$69,999	5.0%	6.2
\$70,000–\$79,999	4.6%	6.2
\$80,000–\$89,999	3.9%	6.3
\$90,000–\$99,999	4.3%	6.3
\$100,000+	3.9%	6.4

Participants With All Balances in a Lifestyle Fund—by Age and by Salary

Age	Salary					
	<\$20,000	\$20,000–\$39,999	\$40,000–\$59,999	\$60,000–\$79,999	\$80,000–\$99,999	\$100,000+
20–29	16.9%	25.8%	17.5%	9.1%	7.7%	5.9%
30–39	16.1%	15.9%	12.0%	9.4%	7.0%	6.4%
40–49	16.3%	13.0%	10.2%	8.4%	6.9%	6.4%
50–59	18.8%	12.0%	8.9%	8.8%	8.4%	6.8%
60+	19.1%	10.9%	7.5%	9.0%	12.6%	9.7%

Note: Shaded areas highlight those demographic groups with fewer-than-average participants with all of their balances in a single lifestyle fund. Salary data is not available for all employees.

Participants With All Balances in a Lifestyle Fund—by Age and by Tenure

Age	Tenure									
	0–1	1–2	2–3	3–4	4–5	5–6	6–10	10–20	20–30	30+
20–29	26.3%	21.0%	15.9%	14.4%	13.6%	13.3%	17.1%	21.4%	n/a	n/a
30–39	22.8%	18.6%	16.6%	14.0%	12.7%	11.1%	10.0%	8.6%	9.2%	n/a
40–49	26.3%	23.4%	21.5%	16.4%	14.9%	13.6%	11.8%	7.2%	6.1%	6.4%
50–59	29.8%	27.6%	25.4%	20.2%	19.6%	18.8%	15.8%	9.8%	6.0%	5.9%
60+	32.6%	34.4%	32.4%	28.6%	29.9%	29.2%	25.6%	14.0%	7.2%	7.2%

Note: Shaded areas highlight those demographic groups with fewer-than-average participants with all of their balances in a single lifestyle fund.

Average Number of Funds Held—by Age and Salary

Age	Salary					
	< \$20,000	\$20,000– \$39,999	\$40,000– \$59,999	\$60,000– \$79,999	\$80,000– \$99,999	\$100,000+
20–29	4.6	4.4	5.3	6.1	6.0	5.3
30–39	4.6	5.0	5.5	5.9	6.1	6.3
40–49	4.4	4.9	5.6	5.8	5.9	6.3
50–59	4.0	4.9	5.7	5.7	5.5	5.9
60+	3.8	4.7	5.7	5.5	4.8	5.1

Note: Shaded areas highlight those demographic groups holding an above-average number of funds. Salary data is not available for all employees.

Average Number of Funds Held—by Age and Tenure

Age	Tenure									
	0–1	1–2	2–3	3–4	4–5	5–6	6–10	10–20	20–30	30+
20–29	4.6	5.3	5.5	5.7	5.8	5.9	5.2	4.4	n/a	n/a
30–39	4.8	5.1	5.3	5.4	5.7	5.8	5.9	5.8	5.2	n/a
40–49	4.3	4.6	4.7	4.9	5.2	5.3	5.4	5.9	5.8	5.2
50–59	3.9	4.1	4.2	4.4	4.6	4.9	4.9	5.5	5.8	5.6
60+	3.5	3.8	3.8	3.8	3.9	4.0	4.1	4.8	5.2	5.3

Note: Shaded areas highlight those demographic groups holding an above-average number of funds.

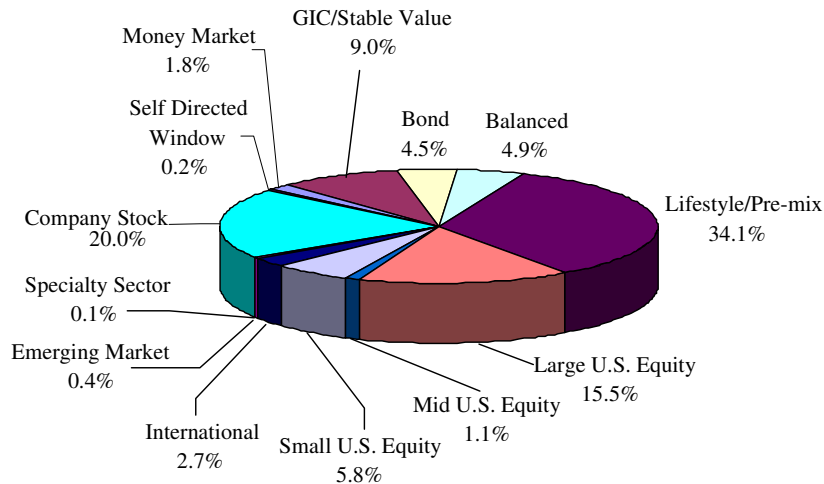
Asset Allocation of Participants With Lifestyle Funds

377,674 participants considered

This analysis examines the average asset allocation of the more than 377,000 participants in the Hewitt Universe with lifestyle funds. It finds that the average defined contribution participant holding a lifestyle fund had about a third of his or her balances in the lifestyle fund at the end of 2003. Across demographic groups, lifestyle funds tended to be the largest portfolio holding on average. However, very low-tenure participants (e.g., under one year of tenure) invested an average of about half of their balances in lifestyle funds, while longer-tenure participants (e.g., 30+ years of tenure) invested an average of only about a quarter of their balances in lifestyle funds. This could reflect an “accumulation effect,” whereby longer-tenure participants have simply added more and more funds over time to their portfolio as they have become available within the plan—including lifestyle funds.

In the aggregate, these lifestyle fund analyses speak to the ongoing need for plan sponsors to communicate that lifestyle funds can be appropriately used as a turnkey solution within the 401(k) plan. It also speaks to the need for promoting confidence that such funds can automate the investment process for those who lack the time, ability, or desire to actively manage their own portfolio.

Asset Allocation of Participants With Lifestyle Funds



Asset Allocation of Participants Holding Lifestyle Funds—by Age

Age	Money Market	GIC/ Stable Value	Bond	Balanced	Lifestyle/ Pre-Mix	Large U.S. Equity	Mid U.S. Equity	Small U.S. Equity	Inter- national	Emerging Market
20–29	2.2%	6.1%	4.9%	2.4%	37.6%	15.4%	1.6%	6.3%	2.8%	0.8%
30–39	2.0%	6.9%	4.7%	4.2%	33.4%	17.7%	1.4%	6.2%	3.1%	0.5%
40–49	1.7%	9.5%	4.5%	5.6%	32.8%	15.8%	1.0%	6.1%	2.7%	0.3%
50–59	1.7%	11.7%	4.4%	6.2%	33.9%	13.4%	0.7%	5.3%	2.2%	0.2%
60+	1.2%	13.4%	3.4%	6.8%	36.4%	9.5%	0.3%	3.6%	1.4%	0.1%

Asset Allocation of Participants Holding Lifestyle Funds—by Salary

Salary	Money Market	GIC/ Stable Value	Bond	Balanced	Lifestyle/ Pre-Mix	Large U.S. Equity	Mid U.S. Equity	Small U.S. Equity	Inter- national	Emerg Mar
<\$20,000	0.0%	15.3%	1.6%	7.0%	39.6%	4.8%	0.1%	2.2%	0.8%	0.
\$20,000–\$39,999	0.4%	13.0%	4.0%	10.6%	39.7%	9.7%	1.1%	3.5%	1.8%	0.
\$40,000–\$59,999	0.7%	9.7%	4.9%	11.0%	36.2%	14.4%	1.3%	5.5%	2.5%	0.
\$60,000–\$79,999	0.9%	9.5%	5.5%	5.2%	33.3%	18.6%	2.0%	6.1%	3.4%	0.
\$80,000–\$99,999	1.2%	9.3%	5.3%	2.5%	34.6%	20.0%	1.7%	6.2%	3.5%	0.
\$100,000+	1.6%	9.0%	5.6%	2.5%	30.9%	22.7%	1.8%	6.9%	4.3%	0.

Note: Salary data is not available for all employees.

Asset Allocation of Participants Holding Lifestyle Funds—by Tenure

Tenure	Money Market	GIC/ Stable Value	Bond	Balanced	Lifestyle/ Pre-Mix	Large U.S. Equity	Mid U.S. Equity	Small U.S. Equity	Inter-national	Emerging Market
0-1	1.8%	4.7%	6.2%	0.5%	50.8%	12.1%	2.1%	6.1%	2.9%	0.8%
1-2	2.7%	6.0%	6.1%	0.6%	44.5%	12.7%	1.4%	5.6%	2.7%	0.5%
2-3	1.9%	5.7%	5.6%	3.3%	42.4%	13.9%	1.1%	5.9%	2.5%	0.4%
3-4	2.4%	7.8%	5.3%	3.4%	37.6%	15.1%	1.3%	5.9%	2.9%	0.6%
4-5	2.3%	7.3%	4.8%	3.6%	36.3%	16.0%	1.1%	5.6%	2.8%	0.4%
5-6	2.1%	6.3%	4.9%	3.9%	33.7%	18.7%	1.3%	5.9%	3.1%	0.5%
6-10	1.8%	7.5%	4.0%	5.8%	32.0%	16.6%	1.0%	5.8%	2.8%	0.3%
10-20	1.4%	11.0%	3.6%	7.7%	28.2%	16.4%	0.9%	5.7%	2.5%	0.2%
20-30	1.6%	13.8%	3.9%	6.6%	27.5%	14.7%	0.8%	6.3%	2.3%	0.2%
30+	1.8%	16.8%	4.1%	4.5%	27.9%	14.0%	0.7%	5.6%	2.1%	0.2%

Asset Allocation of Participants Holding Lifestyle Funds—by Gender

Gender	Money Market	GIC/ Stable Value	Bond	Balanced	Lifestyle/ Pre-Mix	Large U.S. Equity	Mid U.S. Equity	Small U.S. Equity	Inter-national	Emerging Market
Female	1.1%	10.0%	3.7%	8.0%	35.2%	12.4%	0.8%	4.1%	2.0%	0.3%
Male	1.8%	7.8%	4.9%	2.9%	31.9%	18.8%	1.8%	5.9%	3.1%	0.6%

Asset Allocation of Participants Holding Lifestyle Funds—by Balance

Balance	Money Market	GIC/ Stable Value	Bond	Balanced	Lifestyle/ Pre-Mix	Large U.S. Equity	Mid U.S. Equity	Small U.S. Equity	Inter-national	Emerging Markets
<\$10,000	1.2%	7.9%	3.9%	4.5%	43.4%	8.2%	0.9%	3.3%	1.6%	0.4%
\$10,000–\$19,999	1.9%	8.0%	4.7%	6.0%	36.8%	12.4%	1.0%	4.7%	2.2%	0.3%
\$20,000–\$29,999	2.1%	8.4%	5.1%	5.9%	33.6%	15.8%	1.1%	6.0%	2.7%	0.4%
\$30,000–\$39,999	2.1%	8.5%	5.1%	5.4%	31.4%	18.0%	1.1%	6.9%	3.0%	0.4%
\$40,000–\$49,999	2.4%	8.9%	5.0%	5.1%	29.7%	19.6%	1.2%	7.1%	3.2%	0.4%
\$50,000–\$59,999	2.1%	9.3%	4.9%	5.0%	28.5%	20.5%	1.2%	7.3%	3.5%	0.4%
\$60,000–\$69,999	2.2%	9.5%	4.8%	4.9%	26.9%	21.7%	1.3%	7.5%	3.6%	0.4%
\$70,000–\$79,999	2.4%	9.9%	5.0%	4.7%	26.6%	21.3%	1.4%	7.9%	3.7%	0.4%
\$80,000–\$89,999	2.0%	10.0%	4.4%	5.0%	26.0%	22.1%	1.3%	7.9%	3.8%	0.3%
\$90,000–\$99,999	2.3%	10.4%	4.6%	5.0%	25.9%	22.1%	1.5%	7.6%	3.6%	0.4%
\$100,000+	2.1%	11.3%	4.4%	4.1%	25.6%	21.9%	1.3%	8.3%	3.6%	0.3%