

# NEXUS338

## What Advisors Need to Know About Personalized Target Date Funds

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[www.igp.one](http://www.igp.one)

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A white paper with the same title by Great Gray Trust Company was published in the May 2026 issue of NAPA Magazine. The danger of this article is that it is drafted as an informative and objectively sounding opinion piece for advisors. The problem is that Great Gray misunderstands personalized target date solutions (PTDs) and thus made claims that are not only false but misleading.

As a pioneer in personalizing target date funds (TDFs) – Individualized Target Date Solution (iGPS) - I am writing to point out the inaccurate and incomplete understanding of PTDs.

The article identifies three approaches to personalization in addition to managed accounts:

1. Multi-Glidepath TDFs - typically a multi-glidepath series offering conservative, moderate, and aggressive risk options, differentiated by equity exposure over a lifetime.
2. Tech-Enhanced Personalization (PTDs) - uses recordkeeper and payroll data to create individualized allocations atop a TDF glidepath framework. Typical inputs include age, contribution rate, account balance, salary, and employer match, sometimes incorporating personalized outside asset values.
3. Custom Plan-Level Glidepath - Large plans implementing fully custom TDFs tailored to their workforce. These solutions might incorporate defined benefit pensions (which changes how much the DC plan needs to deliver), reflect employer-specific salary patterns, or extend into private markets and alternative strategies.

The Great Gray article went on to compare these three forms of personalizing target date funds with managed accounts, which is recognized by the industry as the poster child for personalized investing. We do not consider the first and third approaches as any kind of “personalization”. There is no personalization in a multi-glidepath TDFs (MGTDs) nor Custom Plan-Level Glidepath which still group participants into 5-year vintages without differentiation. These are group-based glidepath designs and do not rise to the standard of personalization.

### What is “personalization” in an employer sponsored defined contribution plan?

Personalization is to tailor each plan participant’s investment allocation and strategy to their specific demographic and financial circumstances. In practice, it means moving from grouping participants by a single variable (such as projected retirement year) towards a portfolio shaped by the broader, multi personal factors to align with each participant’s needs and goals in a prudent and automated fashion over the life of the participant.

Lumping PTDs and MGTDs into the same category is simply wrong, and it demonstrates a fundamental misunderstanding of what is personalization and what makes PTD unique. A PTD personalizes across the full set of factors that actually determine a participant's funded status. MGTDs do not. They offer three to five pre-defined, risk-based glidepaths and nothing more.

Look at how MGTDs actually get used. If the participant is expected to choose a risk level through some engaged Q&A questionnaire, MGTD then cannot be the QDIA mechanism. A QDIA exists precisely for the participant who has defaulted without taking any selection action. And even setting that aside, risk is only one input. "Risk" here means the equity allocation along the entire glidepath, and when a fiduciary selects the risk level as the default choice, it is saying the fiduciary knows the prudent or the right level of equity allocation for "each" participant at the time of enrollment and over their employment period. Alternatively, asking participants to set their own risk can actively mislead them toward an unintended outcome. In order for self-selection of risk level to make sense, we have to assume that each participant has knowledge of what the glidepath baseline assumptions are and how their personal factors differ or deviate from those baseline assumptions. Furthermore, individuals have to know if and why they should take a higher or lower risk than the baseline assumption. Otherwise, "low, medium, or high" risk are just words. In order for a self-selecting risk level to make sense, it is implicitly assumed that the fiduciary knows what that base risk level is. This is where the behavioral case becomes decisive. The single largest deficiency in DIY lifetime investing is disengagement. Participants don't know how to allocate, they confuse short-term and long-term performance (a trader's mindset where an investor's is needed), and they rarely rebalance — missing the buy-low, sell-high discipline that rebalancing enforces, and often doing the reverse. A PTD performs all of this automatically, for every participant, based on their own factors and projections. Handing the risk decision back to the participant reintroduces the very biases the structure is meant to eliminate. More to the point: whichever of the three to five pre-determined glidepaths each participant lands on, every path simply glides down with age, in the same manner as the traditional single-factor age-based TDF. So where is personalization? The same thing can be said for the custom TDF glidepaths.

A PTD is a completely different thing. It builds a distinct portfolio for each participant and stays risk-responsive on an ongoing basis, calibrated to a target outcome rather than a generic static risk label. The premise is straightforward: give each participant the level of risk actually required to pursue an efficient portfolio, maintain that calibration consistently over time, and keep it aligned with an income-replacement target. The factors that matter are age, wages, account balance, deferral rate, and employer match. Self-selected risk tolerance is not among them.

It's worth being precise about where a managed account actually holds an edge because, upon inspection, most of the supposed advantages don't survive. Take engagement first. A managed account only delivers more than a PTD when the participant engages on an ongoing basis by feeding in updated financial and personal information so the portfolio can adjust accordingly in real time. Absent that engagement, a managed account is running on exactly the same inputs a PTD employs automatically: age, wages, balance, deferral, and match. On that factor, the two have no difference, except the managed account charges 20 to 60 basis points more for a capability many participants are not using. Also, engagement doesn't rescue the comparison, because every

PTD comes with its own participant interactive portal<sup>1</sup> for ongoing participant engagement. When a participant does engage, the PTD can incorporate some of the additional inputs a managed account would and deliver more personalization.

What remains is an important differentiator: personal advice from a live human advisor. This is the one thing PTD does not, and currently cannot, offer. Until AI is materially better and the general public learns to trust it with decisions of this weight, that guidance still requires a human, and a PTD does not offer the service. Where a participant truly needs or wants that relationship, a managed account or an advisor working alongside the plan is the right tool. But that is a narrow, self-selecting group and not the population a QDIA is built to serve.

Priced at the average target-date fund expense ratio, a PTD is a genuine gamechanger and superior to any single-factor TDF, especially when serving as the QDIA. The clearest case is a PEP or any pooled or multi-employer arrangement where participant demographics are all but guaranteed to be diverse. Defaulting that population into a single risk- or age-based glidepath underserves nearly everyone in it when, for the same fee, each participant could hold a portfolio built specifically for them.

### **Applying the Fiduciary Lens – Questions posed by Great Gray Paper**

The questions posed by the Great Gray article for a prudent fiduciary should ask about any personalized solution are the right ones. Here are iGPS and iGPSLifetime's responses.

#### Q: What drives the methodology?

Customization is driven by five data points the plan already captures: age, wages, account value, employee deferral rate, and employer contribution.

Portfolios are typically updated each quarter. Because iGPS receives recordkeeping data per pay period, a participant's allocation adjusts quarterly when the underlying data changes and only when an allocation change is warranted, with systematic rebalancing throughout.

For iGPS and iGPSLifetime, every assumption is fully disclosed. The solution functions exactly like a single-factor TDF, with two differences: the factors are personalized, and each portfolio adjusts each time a participant's personalized data changes.

#### Q: Do the costs justify the benefit?

Cost discipline is central to the iGPS design. According to Morningstar's most recent Target-Date Landscape data, the asset-weighted average expense ratio for target-date mutual funds was 27 basis points in 2025, down from 29 basis points in 2024 and 30 basis points in 2023. That asset-weighted average is heavily skewed by a handful of very large, pure-index series while blended and actively managed strategies, the category to which the iGPS underlying fund belongs, run materially higher.

Against that backdrop, iGPS is highly competitive. Built on the PIMCO RealPath Blend TDF, which pairs actively managed PIMCO funds with a Vanguard index fund, its all-in cost is 29

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<sup>1</sup> In the case of iGPS, the solution is connected to recordkeepers using iJoin technology. iJoin is a Broadridge company. <https://www.ijoinsuccess.com/>

basis points: 20 bps to PIMCO, 3 bps to Nexus338 as fiduciary, 2 bps to the technology provider that enables the personalization, and 4 bps to the recordkeeping platform. At that level, iGPS sits in line with the 2024 industry average and below the average for blended and actively managed series. In other words, a participant receives a personalized, fiduciary-managed, blended active-passive portfolio, with recordkeeping included, for roughly the same cost of an average target-date fund's expense ratio. Nexus338 deliberately engineered the solution through a fiduciary-centric lens, keeping total cost competitive so that price is not a barrier to adoption. In fact, the price is inline with a single factor TDF series.

### Benefit

The benefits for investment personalization are more intuitive for investors. Let's put it this way, if the world only manufactures a size 8 shoe or a single prescription near sighted lens, would everyone be ok with that? Personalization is not only critical but essential. Investing is about reaching a personal destination. Why would you wear a different size shoe or see through the wrong prescription glasses to get to your destination? Therefore, personalization absolutely makes sense if you can have it.

### Cost

If the cost of personalizing your investment portfolio is the same or substantially the same as a single factor TDF, why would a plan fiduciary continue to only offer you a one-size-fits-all portfolio design for life? The advancement in PTDs replicates much of the benefits derived from a managed account but offered at the price of a TDF.

### Q: Is the participant's experience clear?

This concern does not apply to a PTD the way it applies to self-selection models. The risk the question raises, "a participant inadvertently choosing a misaligned path", exists only where the participant must choose. Under iGPS, the participant defaults; the personalized allocation is derived automatically from plan data, exactly as a default should be. There is no menu of risk lanes to pick from and therefore no opportunity to land in the wrong one, and it's devoid of behavioral biases. By design, the experience is as simple as being defaulted into any single-factor TDF, with a better fitted result.

### Q: How does this interact with other innovations?

iGPSLifetime, launching this year, is, to our knowledge, the only PTD to incorporate guaranteed lifetime income, provided through Pacific Life. It is also, we believe, the first TDF-like vehicle to personalize the amount of annuity allocated within a participant's portfolio, beginning at age 50.

The fiduciary selection and ongoing monitoring of these components are performed by Nexus338, which carries the fiduciary duty to provide those services for iGPSLifetime. As a fiduciary, Nexus338 must satisfy ERISA's dual obligations: the duty of loyalty — acting solely in participants' interest — and the duty of prudence — maintaining a sound, well-documented process. The plan-level fiduciary can then layer on additional oversight, conducting its own due diligence on Nexus338 and on iGPS/iGPSLifetime.