

# **Target Retirement Income Plus (TRIP) Fund**

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# Outline

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1. What is the TRIP Fund?
2. What is its purpose?
3. What is its intended market?
4. Constructing the TRIP Fund
5. An example retiree's retirement income

# What is the TRIP Fund?

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- The TRIP Fund is a series mutual fund of fixed maturity (like a “Target Date Fund”).
- Each TRIP Fund will hold two assets:
  - a Treasury STRIP fund of fixed maturity containing 20 stripped treasury bonds, each maturing in sequential years over a 20-year period, and
  - An index-based security that will capture a multiple of index gains between initiation and TRIP Fund’s target date.

# The Purpose of the TRIP Fund

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- The TRIP Fund will provide an assured floor of retirement income, while allowing for higher income when the equity market does better than Treasury STRIPs over the investor's investment horizon.
- The TRIP Fund shares will be redeemable prior to the TRIP Fund's target date.

# The TRIP Fund Market

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- The primary market for the TRIP Fund are retirement investors at or within ten years of retirement, or in retirement.
- These retirement investors have begun to focus on retirement income rather than simply asset accumulation.
- Their current choices are primarily Target Date Funds and annuities – both of which have significant disadvantages alone and in combination.

# **Target Retirement Income Plus Fund Construction Steps**

# Exhibit 1a

## Retirement Income Plus Construction

Equity Mutual Fund



2026 Equity Unit Investment Trust



2026 Equity UIT Units



2026 Priority Share



Bond Investors

2026 Appreciation Share



2026 Target Retirement Income Plus Fund

2026 Treasury STRIP Fund



Retirement Investors

# Exhibit 1b

## Example 2026 Treasury Strip Fund

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| Payout number | Maturity date | Price   |
|---------------|---------------|---------|
| 1             | Feb-2026      | \$79.32 |
| 2             | Feb-2027      | \$76.80 |
| 3             | Feb-2028      | \$74.44 |
| 4             | Feb-2029      | \$71.78 |
| 5             | Feb-2030      | \$69.55 |
| 6             | Feb-2031      | \$67.42 |
| 7             | Feb-2032      | \$65.18 |
| 8             | Feb-2033      | \$62.98 |
| 9             | Feb-2034      | \$60.80 |
| 10            | Feb-2035      | \$58.78 |
| 11            | Feb-2036      | \$56.87 |
| 12            | Feb-2037      | \$54.88 |
| 13            | Feb-2038      | \$52.77 |
| 14            | Feb-2039      | \$50.46 |
| 15            | Feb-2040      | \$48.53 |
| 16            | Feb-2041      | \$46.76 |
| 17            | Feb-2042      | \$45.26 |
| 18            | Feb-2043      | \$43.65 |
| 19            | Feb-2044      | \$42.47 |
| 20            | Feb-2045      | \$41.02 |

Present cost of 20-year  
sequence of \$100 payments  
starting in 2026 = \$1169.72



# Exhibit 1c

## Retirement Income Plus Construction

Equity Mutual Fund



2026 Equity Unit Investment Trust



2026 Equity UIT Units



2026 Priority Share



Bond Investors

2026 Appreciation Share



2026 Treasury STRIP Fund



2026 Target Retirement Income Plus Fund



Retirement Investors

# Exhibit 1d

## Retirement Income Plus Construction

Equity Mutual Fund



2026 Equity Unit Investment Trust



2026 Equity UIT Units



2026 Priority Share



Bond Investors

2026 Appreciation Share



2026 Treasury STRIP Fund

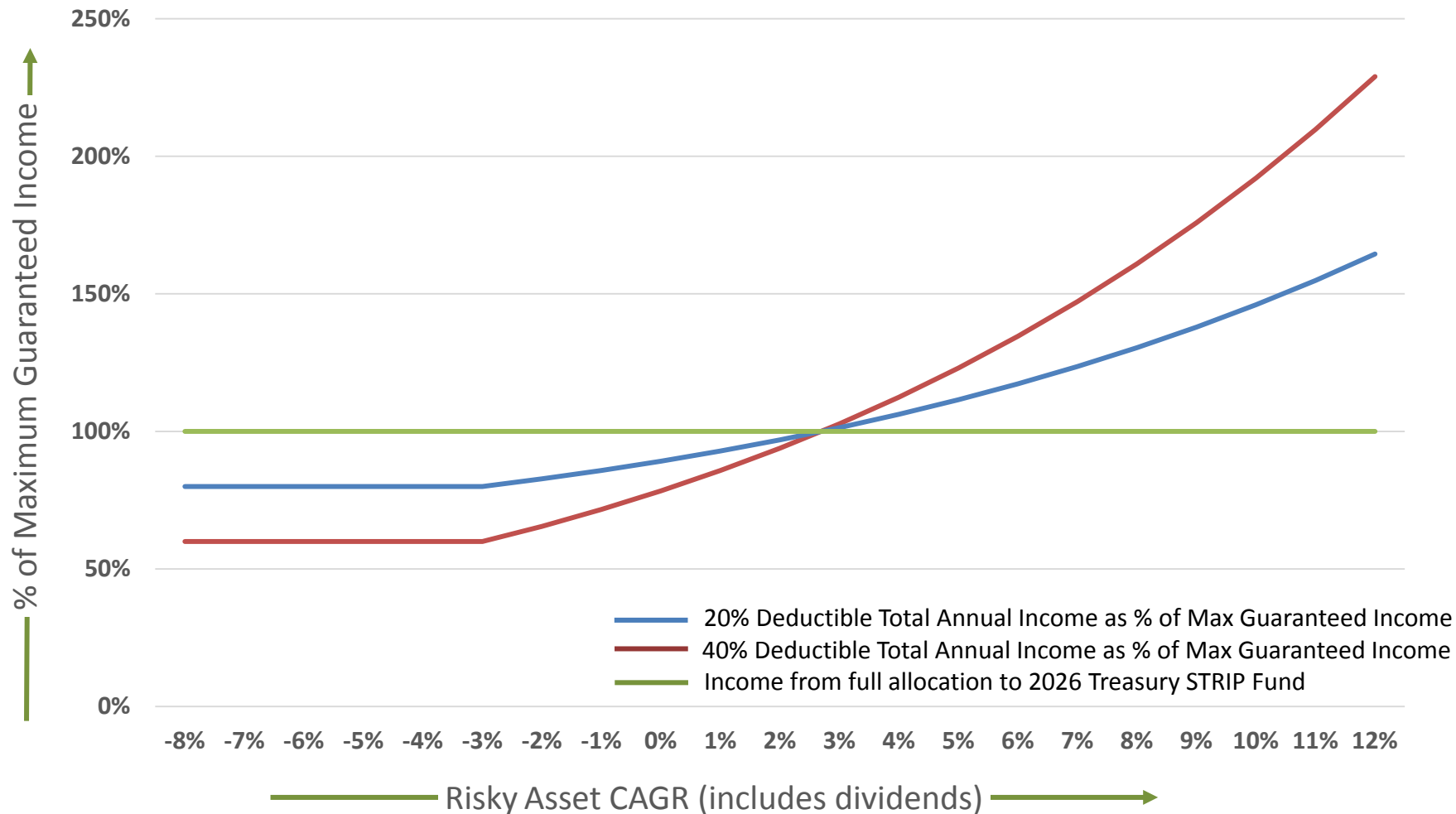


2026 Target Retirement Income Plus Fund



Retirement Investors

# Stylized 2026 Target Retirement Income Plus Fund Payoff – With 20% and 40% Deductibles



Appreciation share strike (as % of spot): 60%

# Next Step?-- Just do it!

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“Paradoxically, making the products more user-friendly and simpler to understand for customers will create considerably more complexity for their producers.

“The good news for the producers is this greater complexity will also make reverse engineering and “product knockoffs” by second-movers more difficult and thereby, protect margins and create franchise values for innovating firms.

“Hence, financial-engineering creativity and the technological and transactional bases to implement that creativity, reliably and cost-effectively, are likely to become a central competitive element in the industry.”

*Future Possibilities in Finance Theory and Finance Practice, Bachelier Congress 2000 Address, Robert C. Merton.*